



# FACT SHEET: FHFA ANNOUNCEMENT ON CREDIT SCORE MODELS

## FHFA ANNOUNCES VALIDATION AND APPROVAL OF FICO 10T AND VANTAGESCORE 4.0 CREDIT SCORE MODELS

### NEWLY APPROVED MODELS WILL IMPROVE ACCURACY, STRENGTHEN ACCESS TO CREDIT, AND ENHANCE SAFETY AND SOUNDNESS

On October 24, 2022, the Federal Housing Finance Agency (FHFA) announced the validation and approval of both the FICO 10T and the VantageScore 4.0 credit score models for use by Fannie Mae and Freddie Mac (the Enterprises). **After a multiyear transition period, lenders will be required to deliver loans with both scores when available.**

Currently, the Enterprises use Classic FICO, a model that they have required for nearly 20 years. In 2014, FHFA and the Enterprises began an effort to modernize the Enterprises' credit score model requirements, and in 2018, Congress required FHFA to create a process for validating and approving credit score models. The validation and approval of FICO 10T and VantageScore 4.0 is the result of a long effort by FHFA and the Enterprises to further support accuracy, innovation, and inclusion in credit score models used by the Enterprises.

As a result of FHFA's announcement, lenders, investors and other industry stakeholders, as well as borrowers and first-time homebuyers, can expect:

- **More Accurate Credit Scores:** Part of the evaluation of new credit score models included extensive testing by the Enterprises to ensure that any validated and approved models met the necessary accuracy standards to treat borrowers fairly and to protect the safety and soundness of the mortgage market and the Enterprises. Both FICO 10T and VantageScore 4.0 met those standards.
- **More Inclusive Credit Scores:** While both Enterprises have already taken steps to expand equitable access to credit, such as enhancements to their underwriting systems, both FICO 10T and VantageScore 4.0 include new payment history information such as rent, utilities, and telecom payments when available.
- **Enhanced Safety and Soundness in the Housing Market:** Promoting accuracy and newer innovative credit score models in the housing finance system will ultimately lead to better outcomes for borrowers, lenders, and the Enterprises. Additionally, because both FICO 10T and VantageScore 4.0 are more accurate than Classic FICO, the mortgage market will be provided with an improved view of risk from two different credit score models.

**On October 24, 2022, FHFA also announced that the Enterprises will require two, rather than three, credit reports from the national consumer reporting agencies.** This change to the Enterprises' credit report requirements is expected to reduce costs and encourage innovation, without introducing additional risk to the Enterprises.

FHFA and the Enterprises expect that implementation of FICO 10T and VantageScore 4.0 will be a multiyear effort informed by industry engagement. FHFA and the Enterprises are committed to working with stakeholders to ensure a smooth transition to VantageScore 4.0 and FICO 10T and to the new credit report requirements, with a key priority being to reduce unnecessary cost and complexity.

## TIMELINE

2014: FHFA and the Enterprises begin considering modernizing the Enterprises' credit score model requirements.

2017: FHFA issues a request for input to gather information about the considerations of updating the Enterprises' credit score requirements.

2018: Congress passes law requiring FHFA to establish a process for validating and approving credit score models for use by the Enterprises, and FHFA issues a proposed rule describing that process.

2019: FHFA issues its Validation and Approval of Credit Score Models final rule.

2020: The Enterprises publish a Joint Credit Score Solicitation, allowing all credit score model developers to apply for consideration of their models.

2022: FHFA hosts a public listening session on the potential transition to a new credit score model. Roughly 350 industry participants attend, and 28 speakers share their viewpoints.

