



January 30, 2026

Clinton Jones
General Counsel
Federal Housing Finance Agency
Eighth Floor, 400 Seventh Street, SW
Washington, DC 20219

RE: FHFA FOIA No.: 2023-FOIA-046

Dear Mr. Jones:

The Housing Policy Council submitted a Freedom of Information Act request to the Federal Housing Finance Agency (FHFA) on July 31, 2023 for information related to the analysis of credit scoring models performed by Fannie Mae and Freddie Mac (the “Enterprises”) and approved by the Federal Housing Finance Agency (“FHFA”).¹ The HPC FOIA also requested information related to FHFA’s announced plan for Enterprise adoption of a bi-merge credit reporting method to replace the existing tri-merge report.

On January 15, 2026, FHFA formally responded to the HPC request. The response noted that FHFA found 316 pages that were responsive to the request, but that many of those materials were partially redacted due to certain FOIA exemptions. The documents provided to HPC are attached. They indicate that-

- Both Fannie Mae and Freddie Mac did not recommend approving VantageScore 4.0. FHFA instead directed them to approve VantageScore 4.0.
- The Enterprises reported to FHFA that the tri-merge and bi-merge credit reports performed similarly, whereas a single file report showed a decrease in reliability in predicting borrower performance.

The documents provided to HPC do not explain the policy rationale for these determinations. Therefore, HPC plans to file an appeal with FHFA seeking release of redacted and withheld information. HPC’s appeal will be grounded in two legal arguments. First, FHFA has a statutory obligation to demonstrate that the release of the requested documents would foreseeably harm the Enterprises or FHFA. FHFA has made no such showing, and, in HPC’s opinion is unable to do so. Second, FHFA has a duty under FOIA to disclose final documents that explain the basis for its policy determinations related to the approval of the credit score models and the shift to the bi-merge requirement.

HPC has previously expressed serious concerns that the Credit Score Models and Reports Initiative is both overly complex and potentially costly to consumers.² The documents that were provided in the January 15th release underscore how critical it is for the public to better understand FHFA’s decision to overrule the Enterprises’ recommendations and instead approve VantageScore 4.0. FHFA also directed the Enterprises to move away from the required tri-merge file report and instead adopt a bi-merge credit report, but the cost-benefit rationale for this decision remains unclear.

¹ The approvals that were pursuant to Economic Growth, Regulatory Relief, and Consumer Protection Act, PL 115-174, section 310 (2018).

² Joint Trade [Letter](#) to FHFA on GSE Credit Score Initiative, March 19, 2025.

HPC believes that FHFA releasing the results from the Enterprises' Business Assessments of the credit models would:

- provide critical insight into whether and to what degree the new scores enhance the risk assessment of a borrower's ability to repay,
- demonstrate the reliability of the models in predicting performance through different economic cycles, and
- confirm the integrity and comprehensiveness of the credit data captured to establish a borrower's credit history and calculate a representative credit score, all of which would be very valuable to stakeholders, particularly those underwriting and holding mortgage credit risk, and servicing these loans.

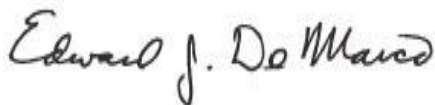
The Enterprise analysis and FHFA evaluation of the proposed new scoring models are also critical to the global fixed-income and credit risk transfer markets, where credit scores are disclosed and considered in prepayment and loan performance analysis. Sharing these results with the public would also provide a sample framework for how FHFA and the Enterprises conducted their analyses and could be used in conjunction with adequate historical data for supplemental support in gaining acceptance of these new models with regulators, rating agencies, and other oversight entities.

While the credit score modernization initiative was intended to provide more accurate, inclusive, and predictive credit scores and lower costs for lenders and borrowers through the introduction of competition, there is currently no public evidence that these benefits will materialize. Moreover, the benefits may not offset what is certain to be a very costly undertaking for industry stakeholders. In fact, many in the industry feel that the initiative, as currently proposed, in conjunction with other factors including but not limited to recent changes in credit reporting pricing, could increase costs for consumers. To allay these concerns, it is critical that FHFA release the cost/benefit analysis it relied on (in the Final Agency Staff Analysis Memo) to set a policy direction that would have impact across the entire housing finance ecosystem.

To confidently move forward with FHFA's credit score initiative, HPC continues to believe that the industry needs confirmation that the asserted benefits will not be outweighed by costs that eventually will be borne by the consumer. Thus, we reiterate that FHFA should release the information requested in the HPC FOIA request. To that end, HPC intends to submit a formal appeal of the FHFA determination to redact certain key information.

In harmony with HPC's belief that public transparency surrounding these matters and determinations are important, we intend to post the limited information provided by FHFA to HPC on our website.

Yours truly,

A handwritten signature in dark ink, reading "Edward J. DeMarco". The signature is written in a cursive, slightly slanted style.

Edward J. DeMarco
President
Housing Policy Council



FOIA Request

Via Email: foia@fhfa.gov

7/31/2023

Sean Dent, Esq.
Principal Deputy General Counsel for Administrative Law
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20219

RE: FOIA Request Regarding Credit Scores— Enterprise Business Assessments

This request from the Housing Policy Council¹ (“HPC”) relates to information regarding the credit scoring models developed by Fannie Mae and Freddie Mac (the “Enterprises”) and approved by the Federal Housing Finance Agency (“FHFA”) pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act, PL 115-174, section 310 (2018). That provision amended the Fannie Mae and Freddie Mac charter acts and the FHFA’s governing statute to provide for the validation and approval of credit scoring models used by the Enterprises. FHFA promulgated a rule setting forth its role in validation and approval of the models at 12 C.F.R. § 1254 and for creation of a Business Assessment of such models by the Enterprises under section 12 C.F.R. § 1254.8, including FHFA review of such assessments. This request also relates to FHFA’s announcement of the Enterprises moving from tri-merge to bi-merge.

In accordance with the Freedom of Information Act (“FOIA”) (5 U.S.C. § 552) and FHFA’s FOIA implementing rule at 12 C.F.R. 1202, HPC submits the following request:

Requestor

Housing Policy Council
1220 19th Street N.W.
Washington, D.C. 20036-2464
202-589-1023

FOIA

This request is made under the Freedom of Information Act (5 U.S.C. § 552) and under the provisions of the FHFA’s FOIA regulation at 12 C.F.R. § 1202.

¹ The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers; mortgage, hazard, and title insurers; and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth building for families. For more information, visit www.housingpolicycouncil.org

FOIA Status

HPC is a 501(c)(6) trade association that compiles, evaluates, and analyzes information for a variety of purposes, including the development of technical and policy materials and information for submission to interested parties in matters relating to housing and housing finance. As a Requester, HPC fits within the category of “commercial use,” as defined in 12 C.F.R. § 1202.2.

Records Request

HPC requests certain records that were submitted to or created by FHFA under provisions of PL 115-174 (2018) and 12 C.F.R. 1202 and as otherwise directed by FHFA. More specifically, HPC requests copies of the following records:

- (1) The Business Assessments provided by the Enterprises to FHFA as required at 12 C.F.R § 1254.8, including the following elements: (a) how new models relate to Classic FICO; (b) how FICO 10T compares with VantageScore 4.0; (c) how Enterprise policies and procedures will change (including effects on pricing and borrower eligibility); (d) potential impacts in the To-Be-Announced (“TBA”) and Credit Risk Transfer (“CRT”) markets and any countermeasures to address these impacts by FHFA or the Enterprises; (e) potential impacts on affordable housing programs; and (f) the expectations for lenders and insurers under a new framework.
- (2) The final FHFA determination documents related to the validation and approval of credit scoring models used by the Enterprises, specifically including final FHFA evaluations, any final FHFA staff analysis memo, and FHFA approval documentation.
- (3) The final FHFA determination documents related to the shift from requiring a tri-merge credit report to a bi-merge credit report, along with any final FHFA staff analysis memo, and FHFA approval documentation.

In addressing the three items above, HPC does not request any pre-decisional communications with the Enterprises or internal FHFA staff communications reflecting deliberations and inter-staff reviews of such Business Assessments.

The release of these records could be used by industry participants to: (a) examine the Enterprise and FHFA evaluation of the fair lending implications of the shift to two new models as well as bi-merge adoption; (b) consider the Enterprise and FHFA analysis of loan performance of FICO 10T and VantageScore 4.0, compared to classic FICO for the historical loan dataset over long periods of time with varying economic cycles; (c) analyze the consumer and lender impact, in terms of loan approval and pricing, associated with the move from the tri-merge to the bi-merge using classic FICO (once the calculation for a bi-merge FICO has been determined); (d) develop policy recommendations for the GSE instructions for lender selection of two CRAs for the bi-merge adoption as well as for future reliance on bi-merge with two scoring models and multiple borrowers and how to establish the most appropriate representative score; and (e) recalibrate models that support the various corporate activities that are affected by the changes, including pricing and investment systems, to accommodate the new methodology and scores.

Additionally, the release of the records associated with the Business Assessment produced by the Enterprises to FHFA by law and regulation would provide market assessment of: (a) the accuracy and

reliability of the models employed; (b) consumer and fair lending impacts; (c) effects on Enterprise operations and risk management as well as attendant impacts on the industry participants; and (d) competitive effects. Release of the Business Assessments also would provide participants in related market segments, specifically including portfolio, private label securities, and government insurers, the ability to assess the approved models using similar methodologies and information.

Records Production

HPC requests that records subject to this FOIA filing be provided via electronic transmission to Matt Douglas, HPC Vice President— Mortgage Policy at matt.douglas@housingpolicycouncil.org.

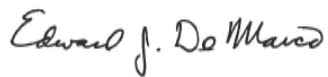
Agreement to Pay Fees

It is our understanding that the documentation we are requesting above is readily available and should require minimal time to produce. However, HPC understands that fees are required for production of documents under FOIA requests to FHFA and is willing to pay fees relevant to production of relevant documents up to \$1,000.

Prior to any such payments, HPC requests a determination whether FHFA will seek to withhold information based on a FOIA exemption related to the Records Request set forth above and based on provisions of FOIA and FHFA's FOIA regulation or any other basis.

Thank you for your prompt attention to this request.

Yours truly,

A handwritten signature in black ink that reads "Edward J. DeMarco". The signature is written in a cursive, slightly stylized font.

Edward J. DeMarco
President
Housing Policy Council



FEDERAL HOUSING FINANCE AGENCY

Office of the Director

October 25, 2022

Mr. David Benson
 President and Interim Chief Executive Officer
 Federal National Mortgage Association
 1100 15th Street, NW
 Washington, DC 20005

Re: Determinations on Validation and Approval of Credit Score Models

Dear Mr. Benson:

On December 17, 2021, Fannie Mae submitted to FHFA its proposed determinations on the credit score model applications that were received in response to the Joint Enterprise Credit Score Solicitation dated February 18, 2020. Fannie Mae proposed approval of the application for FICO 10T, and Fannie Mae proposed disapproval of the applications for FICO 9, FICO 10, FICO Resilience Index, and VantageScore 4.0.

FHFA has completed its review of Fannie Mae's proposed determinations in accordance with FHFA's regulation on the Validation and Approval of Credit Score Models. FHFA's review included an independent analysis of the potential impacts of any change to an Enterprise's credit score model. FHFA has determined that the applications for both FICO 10T and VantageScore 4.0 should be approved. Specifically:

1. FHFA approves Fannie Mae's proposed determination for FICO 10T, and FHFA directs Fannie Mae to approve the application for FICO 10T.
2. FHFA disapproves Fannie Mae's proposed determination for VantageScore 4.0, and FHFA directs Fannie Mae to approve the application for VantageScore 4.0.
3. FHFA approves Fannie Mae's proposed determinations for FICO 9, FICO 10, and FICO Resilience Index, and FHFA directs Fannie Mae to disapprove the applications for FICO 9, FICO 10, and FICO Resilience Index.

As specified in 12 CFR 1254.9(b) and 1254.9(c), Fannie Mae must notify the public and the applicants of Fannie Mae's approval of FICO 10T and VantageScore 4.0 within 30 days of the date of this letter. Fannie Mae must also notify FICO of Fannie Mae's disapproval for the remaining applications, including a description of the reasons for disapproval, within the same timeframe.

FHFA is imposing two conditions on the above determinations, consistent with 12 CFR 1254.9(a). First, as a condition of FHFA's determinations, FHFA is requiring that Fannie Mae replace the requirement for lenders to deliver Classic FICO scores for loans purchased by Fannie Mae with a requirement for lenders to deliver both FICO 10T scores and VantageScore 4.0 scores for loans purchased by Fannie Mae. Fannie Mae has previously approved Classic FICO for use. However, upon implementation of the new credit score models, the current requirement for lenders to deliver Classic FICO scores for each loan purchased must be retired.

Second, FHFA's determinations are contingent on the successful development of a feasible implementation plan, including any necessary contractual arrangements for the use of and disclosures related to the newly approved credit score models. FHFA recognizes that replacement of Classic FICO will require a substantial investment of time and resources to ensure a smooth transition to the use of the newly approved credit score models.

FHFA is requiring that Fannie Mae work jointly with FHFA and Freddie Mac on the development of the implementation plan. The plan will be subject to review and approval by FHFA. Fannie Mae should submit an implementation plan to FHFA by January 31, 2023.

If you have any questions, please contact Naa Awaa Tagoe, Deputy Director, Division of Housing Mission & Goals, at NaaAwaa.Tagoe@fhfa.gov or 202-649-3140.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Thompson".

Sandra L. Thompson



FEDERAL HOUSING FINANCE AGENCY

Office of the Director

October 25, 2022

Mr. Michael DeVito
Chief Executive Officer
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22103-3107

Re: Determinations on Validation and Approval of Credit Score Models

Dear Mr. DeVito:

On January 21, 2022, Freddie Mac submitted to FHFA its proposed determinations on the credit score model applications that were received in response to the Joint Enterprise Credit Score Solicitation dated February 18, 2020. Freddie Mac proposed approval of the application for FICO 10T, and Freddie Mac proposed disapproval of the applications for FICO 9, FICO 10, FICO Resilience Index, and VantageScore 4.0.

FHFA has completed its review of Freddie Mac's proposed determinations in accordance with FHFA's regulation on the Validation and Approval of Credit Score Models. FHFA's review included an independent analysis of the potential impacts of any change to an Enterprise's credit score model. FHFA has determined that the applications for both FICO 10T and VantageScore 4.0 should be approved. Specifically:

1. FHFA approves Freddie Mac's proposed determination for FICO 10T, and FHFA directs Freddie Mac to approve the application for FICO 10T.
2. FHFA disapproves Freddie Mac's proposed determination for VantageScore 4.0, and FHFA directs Freddie Mac to approve the application for VantageScore 4.0.
3. FHFA approves Freddie Mac's proposed determinations for FICO 9, FICO 10, and FICO Resilience Index, and FHFA directs Freddie Mac to disapprove the applications for FICO 9, FICO 10, and FICO Resilience Index.

As specified in 12 CFR 1254.9(b) and 1254.9(c), Freddie Mac must notify the public and the applicants of Freddie Mac's approval of FICO 10T and VantageScore 4.0 within 30 days of the date of this letter. Freddie Mac must also notify FICO of Freddie Mac's disapproval for the remaining applications, including a description of the reasons for disapproval, within the same timeframe.

FHFA is imposing two conditions on the above determinations, consistent with 12 CFR 1254.9(a). First, as a condition of FHFA's determinations, FHFA is requiring that Freddie Mac replace the requirement for lenders to deliver Classic FICO scores for loans purchased by Freddie Mac with a requirement for lenders to deliver both FICO 10T scores and VantageScore 4.0 scores for loans purchased by Freddie Mac. Freddie Mac has previously approved Classic FICO for use. However, upon implementation of the new credit score models, the current requirement for lenders to deliver Classic FICO scores for each loan purchased must be retired.

Second, FHFA's determinations are contingent on the successful development of a feasible implementation plan, including any necessary contractual arrangements for the use of and disclosures related to the newly approved credit score models. FHFA recognizes that replacement of Classic FICO will require a substantial investment of time and resources to ensure a smooth transition to the use of the newly approved credit score models.

FHFA is requiring that Freddie Mac work jointly with FHFA and Fannie Mae on the development of the implementation plan. The plan will be subject to review and approval by FHFA. Freddie Mac should submit an implementation plan to FHFA by January 31, 2023.

If you have any questions, please contact Naa Awaa Tagoe, Deputy Director, Division of Housing Mission & Goals, at NaaAwaa.Tagoe@fhfa.gov or 202-649-3140.

Sincerely,



Sandra L. Thompson

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FEDERAL HOUSING FINANCE AGENCY**NEWS RELEASE**

For Immediate Release
October XX, 2022

Contact: Adam Russell (202) 360-9097

FHFA Announces Validation of FICO 10T and VantageScore 4.0 for Use by Fannie Mae and Freddie Mac

Washington, D.C. – The Federal Housing Finance Agency (FHFA) today announced the validation and approval of both the FICO 10T credit score model and the VantageScore 4.0 credit score model for use by Fannie Mae and Freddie Mac (the Enterprises).

“Today’s decision will benefit borrowers and the Enterprises, along with maintaining safety and soundness,” said FHFA Director Sandra L. Thompson. “While implementing the newer credit score models is a significant change that will take time and require close coordination across the industry, the models bring improved accuracy and a more inclusive approach to evaluating borrowers.”

FHFA expects that implementation of FICO 10T and VantageScore 4.0 will be a multiyear effort. Once implemented, lenders will be required to deliver both FICO 10T and VantageScore 4.0 credit scores with each loan sold to the Enterprises. FHFA and the Enterprises will conduct outreach to stakeholders to ensure a smooth transition to the newer credit score models.

For nearly 20 years, the Enterprises have relied on Classic FICO. Today’s announcement is the result of a years-long effort by FHFA and the Enterprises to implement Section 310 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The new models improve accuracy by capturing new payment histories for borrowers when available, such as rent, utilities, and telecom payments.

FHFA also announced today that the Enterprises will work toward changing the requirement that lenders provide credit reports from all three nationwide consumer reporting agencies (CRAs). Instead, the Enterprises will require lenders to provide credit reports from two of the three nationwide CRAs. The Enterprises will work with stakeholders on a plan for implementing the change from a tri-merge credit report requirement to a bi-merge credit report requirement.

DRAFT
CONTROLLED BY FHFA

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Fact Sheet: FHFA Announcement of Credit Score Models

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac, and the 11 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$7.9 trillion in funding for the U.S. mortgage markets and financial institutions. Additional information is available at www.FHFA.gov, on Twitter [@FHFA](https://twitter.com/FHFA), [YouTube](https://www.youtube.com/user/FHFA), [Facebook](https://www.facebook.com/FHFA), and [LinkedIn](https://www.linkedin.com/company/fhfa).

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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.



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CREDIT SCORES AND BI-MERGE TALKING POINTS

MBA Speech and 10/24 Briefings

KEY THEMES FOR THE CREDIT SCORE MODEL ANNOUNCEMENT

- Both FICO 10T and VantageScore 4.0 will replace Classic FICO, which the Enterprises have relied upon for nearly 20 years.
- Changing the score models required by the Enterprises has been and will be to be a long process requiring continued extensive engagement and coordination amongst all stakeholders.
- Updating the Enterprises' Credit Score Models will benefit borrowers, the Enterprises, and the housing market.
 - FICO 10T and VantageScore 4.0 are more accurate Credit Scores than Classic FICO
 - FICO 10T and VantageScore 4.0 are more inclusive Credit Scores than Classic FICO
 - The update will enhance the safety and soundness in the housing market.
- FHFA is dedicated to transparency.
- FHFA is committed to outreach and coordination with industry and stakeholders throughout the implementation process.
- We expect a long implementation process.

PRIMARY TALKING POINTS FOR CREDIT SCORES

Both FICO 10T and VantageScore 4.0 will replace Classic FICO, which the Enterprises have relied upon for nearly 20 years. This announcement is the result of a years-long effort by FHFA and the Enterprises, that began in 2014, to support accuracy, innovation, and fairness in credit score models used by the Enterprises.

Changing the score models required by the Enterprises will be a long process and require cooperation.

Requiring two different scores for each borrower is a significant change. Credit scores are used in different ways throughout the mortgage process, and determining how two different scores can be used in different systems will be a long process. FHFA and the enterprises are committed to working with all stakeholders including lenders, mortgage insurers, investors, consumer advocates, etc., to ensure a smooth transition.

Updating the Enterprises' Credit Score Models will benefit borrowers, the Enterprises, and the housing market.

The Enterprises have relied on Classic FICO for many years, and after being validated and approved in November 10, 2020, it continues to meet the Enterprise's needs. However, as FHFA has long said, it is time for a change. The new models bring new innovation to the table, in two ways:

1. FICO 10T and VantageScore 4.0 are more accurate Credit Scores than Classic FICO

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.

2. FICO 10T and VantageScore 4.0 are more inclusive Credit Scores than Classic FICO

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 factor into their models new payment histories for borrowers when available, such as rent, telecom and utilities, that demonstrate an ability to pay.

3. The update will enhance the safety and soundness of the housing market.

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Promoting innovation and accuracy 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, including investors, will be provided with an improved view of risk from not just one but two different credit score models.

FHFA is dedicated to transparency.

Requiring both VantageScore 4.0 and FICO 10T will require new ways to communicate about risk throughout the mortgage process. FHFA is committed to providing transparency about credit scores for everyone who is affected by them, including applicants and borrowers, lenders and mortgage insurers, and investors. Finding a way to provide transparency while protecting borrower privacy will be essential to encourage innovation and transparency on the performance of the new models.

FHFA is committed to outreach and cooperation with industry and stakeholders throughout the implementation process.

FHFA and the Enterprises are now entering the implementation phase. This will involve outreach to the industry and to all affected parties and decisions on how to implement. We know that there are many questions about the details of these changes and concerns about the costs. We are committed to working with our industry stakeholders to ensure a smooth transition.

We expect a long implementation process.

We do expect this to be a multiyear effort due to the complexity and broad impact to the industry.

ADDITIONAL RATIONALE FOR CREDIT SCORES

Introduces an additional Credit Score Model to Enterprise Mortgage Market

Requiring both VantageScore 4.0 and FICO 10T introduces an additional credit score to the Enterprise mortgage market while retaining a credit score the mortgage market is familiar with.

More ‘Scoreable’ Borrowers Can be Assessed by AUS

Requiring both credit scores would result in more ‘scoreable’ borrowers that can be assessed by the Enterprises’ AUS, improving their management of credit risk while also responsibly and sustainably expanding access to credit for borrowers with less robust credit histories.

PRIMARY TALKING POINTS FOR BI-MERGE CREDIT REPORT REQUIREMENTS

Bi-merge credit report requirement will replace the tri-merge credit report requirements, which the Enterprises have required for more than 20 years.

Bi-merge credit report performs similarly to tri-merge credit reports

The Enterprises found that the tri-merge and bi-merge credit reports perform similarly whereas a single in-file report showed a decrease in accuracy.

Bi-merge maintains accuracy and promotes competition

Moving to a bi-merge credit report requirement would maintain accuracy and help promote competition among Experian, Equifax, and TransUnion when selling credit reports.

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We recognize that moving to a bi-merge will also require many changes across the industry. FHFA and the Enterprises are committed to working with industry stakeholders to ensure a smooth transition and avoid unnecessary disruption.

We don't have specific timing for any of the changes—credit scores or bi-merge—we will work with you to chart the path forward.

BACKGROUND ON RECONSIDERING TRI-MERGE CREDIT REPORT REQUIREMENTS

The Enterprises require that lenders provide a three merged credit report (tri-merge report) with credit scores for each borrower from each credit reporting agency (i.e., TransUnion, Equifax, Experian).

In the 2017 RFI, FHFA explored whether changes to the tri-merge report requirement would maintain consumer credit accuracy, enable resellers to see more competitive pricing from the CRAs, and result in more competitive pricing at the reseller level being passed down to lenders and the mortgage applicant.

- Some respondents expressed their opinion that two credit reports provided enough information and could offer potential savings for lenders and consumers.
- Other respondents from the mortgage insurance industry indicated the need for continuing the tri-merge credit report because they believed that one or two credit reports did not provide sufficient information on the borrower's capacity to repay debts.

FHFA asked the Enterprises to refresh research and analyses on this option.

Project Timeline, with links:

- FHFA's [webpage on credit scores](#) outlines FHFA's years-long efforts as follows:
 - **December 20, 2017:** FHFA issues a [request for input](#) from the public to gather more information about the operational and competition considerations of changing the Enterprises' current credit score requirements.
 - **July 23, 2018:** Following the enactment of the [Economic Growth, Regulatory Relief, and Consumer Protection Act \(P.L. 115-174\)](#) on May 23, 2018, [FHFA announces](#) that it will shift from its previous initiative to update the Enterprises' credit score requirements to implement Section 310 of the bill that require FHFA to propose and issuing a final rule to govern the verification of credit score models used by the Enterprises.
 - **December 13, 2018:** [FHFA issues a proposed rule](#) on the validation and approval of credit score models used by the Enterprises.
 - **January 9, 2019:** Following the issuance of the proposed rule, [FHFA hosts a webinar presentation](#) on the proposed rule.
 - **August 13, 2019:** [FHFA publishes a final rule](#) on the validation and approval of credit score models used by the Enterprises. ([Final Rule](#) | [Fact Sheet](#))

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- **February 18, 2020:** [The Enterprises publish a Joint Credit Score Solicitation](#), The Enterprises began accepting applications on May 18, 2020. The application period was open for 120 days, ending on September 15, 2020
- **November 10, 2020:** [FHFA announces the validation of Classic FICO](#) for use by the Enterprises to allow them to continue supporting the mortgage market while assessing more modern credit score models that were submitted in response to the Joint Enterprise Credit Score Solicitation
- **January 29, 2021:** After determining that the applications were complete and all fees had been paid, the Enterprises started their comprehensive assessment of the applications submitted by FICO and VantageScore.
- **December 17, 2021:** Fannie Mae submitted to FHFA its evaluation results, including its EBA and proposed determination to approve FICO 10T and disapprove all other credit score models that it evaluated. (Enterprise recommendations are non-public)
- **January 21, 2022:** On January 21, 2022, Freddie Mac submitted to FHFA its evaluation results, including its EBA and proposed determination to approve FICO 10T and disapprove all other credit score models that it evaluated. (Enterprise recommendations are non-public)
- **FHFA review period:** The final rule provides that FHFA will approve or disapprove an Enterprise's recommendations within 45 days but allows FHFA to extend that period as appropriate. FHFA extended the period for its review of the Enterprise recommendations until further notice.
- **March 1, 2022:** [FHFA hosts a public listening session](#) on the potential transition to a new credit score(s) pursuant to the final rule.

Messages

- This announcement is the result of a years-long effort by FHFA and the Enterprises to implement a statutory requirement that was enacted in 2018 to validate and approve credit score models for use by the Enterprises. That law and, FHFA's regulation to carry it out, was preceded by years of engagement by FHFA to update the Enterprises' credit score requirements.
- *Moving to a new credit score means increased accuracy.* Transitioning from the current credit score model that is in use ("FICO Classic") to new credit score models represents a benefit for borrowers, the Enterprises, the mortgage market, and investors in Enterprise securities. The newly approved credit score models were shown to be more predictive of a borrower's potential default risk than FICO Classic.
- *Accuracy is not the same as "access."* As part of FHFA's final rule, the Enterprises were required evaluate the potential impact of using a particular credit score model on access to credit. The newly approved credit score models demonstrated a slight increase in terms of identifying applications that would meet the minimum requirements under the Enterprises' underwriting systems but would not have met the requirements based on Classic FICO.

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- Using new credit score models is not a “silver bullet.” Credit scores are only a small factor in determining if a borrower meets Enterprise requirements.
 - Borrowers can, and have, been approved for Enterprise-backed mortgage without having a credit score.
 - In addition, enhancements to the Enterprises’ automated underwriting systems have and can increase access to credit more substantially than simply adopting a new credit score.
- Increasing access to mortgage credit is a multi-pronged effort that is not solely reliant on credit score models. Expanding equitable access to credit will require a consistent, sustained approach to innovation across the whole industry, including within the Enterprises AUS. FHFA is continually focused on promoting sustainable and equitable access to affordable housing, including exploring Enterprise pilot programs and additional activities in their Equitable Housing Finance Plans that may help expand access to credit for underserved communities.
 - Both [Fannie Mae](#) and [Freddie Mac](#) have begun to allow the consideration of positive rental payment data in certain instances and will continue efforts that capture newly available borrower permissioned financial data that may benefit borrowers.

Background

- Throughout this multi-year effort, FHFA has engaged extensively with mortgage market stakeholders and groups representing consumers, lenders, and investors, to better understand the impacts of any transition to a new credit score model or models.
- Credit scores are used and relied upon by a variety of [mortgage market stakeholders](#), and FHFA has continually sought feedback to ensure that a transition avoids disruption and unnecessary costs.
 - It will take time to implement the actual use of the new credit score models that are validated and approved by the Enterprises. The time required for the mortgage market to fully transition to the new credit score models has always been estimated in terms of years, not months, but the actual implementation plans will need to be developed in cooperation with all stakeholders.
 - Credit scores are primarily used by the Enterprises for:
 - Application eligibility;
 - Enterprise loan level pricing decisions, and;
 - Investor disclosures for MBS and CRT transactions.



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FHFA Internal Q&A on Credit Score Model Announcement

Internal Document: This document is non-public but can be used to answer media, stakeholder, and Congressional inquiries on-the-record and on background.

Q&A

Background

1. Why did the credit score model need to be updated?

The Enterprises are required to validate and approve any credit score model that is required as a condition of an Enterprise loan purchase. This requirement is pursuant to Section 310 of the Economic Growth, Regulatory Relief and Consumer Protection Act and FHFA's [Validation and Approval of Credit Score Models Rule \(12 C.F.R. Part 1254\)](#).

The Enterprises validated and approved Classic FICO in November 2020. FHFA has a longstanding position that it is necessary for the Enterprises to update from Classic FICO to a newer credit score model or models.

Reviewing and updating the credit score model also aligns with the GSEs' business practices to regularly fine-tune various aspects of their mortgage lending underwriting and eligibility requirements. Advances in technology and modeling techniques may provide improvements in credit score models.

2. How are credit scores used by the GSEs?

The GSEs rely on credit scores for several parts of the mortgage process. This may include loan product eligibility, loan level pricing, underwriting a borrower, mortgage back security disclosure, credit risk disclosures, and financial disclosures.

Both GSEs' automated underwriting systems consider borrowers' comprehensive credit histories, not just a credit score, in making their assessments. Fannie Mae currently does not consider third-party credit scores in its AUS credit assessment, and Freddie Mac is working to do the same. FHFA expects that Freddie Mac's work on removing credit scores from its AUS credit assessment will be complete before or at the same time as the transition to newer credit score models is fully implemented.

Credit Score Model Decision and Process

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3. What credit score model(s) are approved for use?

FHFA has announced the validation and approval of the FICO 10T credit score model and VantageScore 4.0 credit score model for use by Fannie Mae and Freddie Mac. Classic FICO was approved will remain in use while FHFA and the Enterprises work to implement the new credit score models. FHFA expects this to be a multiyear effort due to the complexity and broad impact to the industry.

4. How many scores were submitted, which developers submitted scores, and did the GSEs consider any scores that used alternative credit data (i.e., credit data that is not reported by the nationwide credit bureaus)?

Fair Isaac Corporation submitted five credit score models: Classic FICO, FICO Score 9, FICO Score 10, FICO Score 10T and FICO Resiliency Index.

VantageScore® submitted credit score model VantageScore 4.0.

All of the newer models factor in alternative credit data reported by the nationwide credit bureaus.

The GSEs will continue to explore the use of alternative credit data and other ways to improve their credit assessments, separate and apart from the approval of the newer credit score models

5. Will you share the data/results of the models you analyzed?

Will the Enterprises release their findings, associated data, and recommendations?

What were the specific results of the evaluation?

Was FICO 10T or VantageScore 4.0 the most accurate score?

Information about the testing results is confidential. FHFA is not releasing any of the specific testing results to the public at this time. Potential future release of information will be a planning consideration during the implementation phase.

6. How did the GSEs assess the applicant credit score models?

The GSEs considered all relevant factors during the credit score model validation and approval process, in accordance with the requirements of FHFA's Validation and Approval of Credit Score Models Rule. This process included a Credit Score Assessment and an Enterprise Business Assessment for each model that evaluated them based on the following factors:

- the integrity, reliability, and accuracy of each model;
- its historical record of measuring and predicting credit behavior (such as default rates);
- the consistency of each model with the safe and sound operation of an Enterprise;
- a fair lending assessment;
- the impact of each model on Enterprise operations and risk management;
- the impact of each model on the industry;
- the competitive effects of each model;
- and a third-party provider review.

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7. Did the GSEs require applicants to demonstrate their credit scores were tested in a fair lending analysis?

Yes. In accordance with FHFA's Approval and Validation of Credit Scores Rule, every applicant was required to submit a fair lending certification that no characteristic that is based directly on or is highly correlated solely with a classification prohibited under the Equal Credit Opportunity Act (15 U.S.C. 1691(a)(1)), the Fair Housing Act (42 U.S.C. 3605(a)), or the Safety and Soundness Act (12 U.S.C. 4545(1)) was used in the development of the credit score model or is used as a factor in the credit score model to produce credit scores.

Additionally, all Applicants were required to address compliance of the credit score model and credit scores produced by it with federal fair lending requirements, including information on any fair lending testing and evaluation of the model conducted.

Finally, all Models that passed the Credit Score Assessment, underwent a fair lending assessment as part of the Enterprise Business Assessment.

8. Why was a multi-credit score model selected: How will that practically work/function, what will be the cost impact on the industry, and what will that do with respect to access to credit?

Using multiple credit scores provides greater access to credit coverage than a single score and provides the mortgage market with an improved view of risk from not just one but two different credit score models.

FHFA and the Enterprises recognize that changing the score models required by the Enterprises will be a long process and require coordination amongst many stakeholders. Requiring two different scores for each borrower is a significant change. Credit scores are used in different ways throughout the mortgage process, and determining how two different scores can be used in different systems will be a long process. As a result, it is difficult to assess with any accuracy the costs to the Enterprises and the industry as a whole at this time.

FHFA and the Enterprises are committed to working with all stakeholders including lenders, mortgage insurers, investors, consumer advocates, etc., to ensure a smooth transition.

Implementation**9. What is the timeline for implementation and will the GSEs be aligned?**

Yes, the GSEs will align on implementations to ensure a smooth transition and to continue to meet the alignment requirements of the Uniform Mortgage-Backed Security (UMBS).

Now that the decision is finalized, FHFA and the Enterprises will enter the implementation phase. This will involve outreach to the industry and decisions on how to implement. This phase will drive details on the timeline and costs. FHFA expects this to be a multiyear effort due to the complexity and broad impact to the industry. Also, FHFA expects a decision for

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multiple scores to be more impactful to the timeline and costs – driven by the complexity and change in process.

10. Can the currently approved credit score continue to be used or will it be required to move to the new credit score(s)?

Classic FICO will continue to be accepted until the transition to the new credit score models is complete. Specific timing for the transition will be determined during implementation planning and communicated at a later date.

11. Did Classic FICO go through the same evaluation process?

Yes. In November 2020, FHFA and the Enterprises announced that Classic FICO had been validated and approved in accordance with the statute and the final rule, and that Classic FICO was approved for use by Freddie Mac and Fannie Mae.

The validation and approval of Classic FICO was recommended by both Enterprises after a comprehensive review of FICO's application for Classic FICO in response to the joint solicitation. FHFA approved the Enterprise recommendations. The validation and approval of Classic FICO allows the GSEs to continue supporting the mortgage market until the transition is made to the new credit score model).

12. How will the GSEs help the industry implement the model update?

FHFA and the Enterprises will seek industry feedback on the steps needed to update the credit score model, develop comprehensive implementation plans, and provide implementation resources to lenders, technology vendors, investors, and other stakeholders.

13. Will the new credit score(s) model be required based on an application date in the future, or will it be based on a particular loan delivery date?

Details about the transition to the new credit score models will be developed in coordination with all stakeholders and will be communicated at a later time.

14. What information will be provided to investors, mortgage insurers, and reinsurers/brokers to help them recalibrate their models? (e.g., providing the current score and new score historically and in parallel for a period of time)

As part of the implementation planning, FHFA and the Enterprises will work with investors and other industry participants to determine the best way to facilitate the recalibration of their models.

15. Will the GSEs' pricing grids be updated based on the change in credit score model?

Details about changes such as any updates to the Enterprise pricing grids (loan-level price adjustments / credit fees) will be developed as part of the implementation plans. No information about specifics such as potential pricing changes is available at this time.

16. Will Private Mortgage Insurer Eligibility Requirements (PMIERs) be updated based on the change in credit score?

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Details about changes such as any updates to the Private Mortgage Insurer Eligibility Requirements (PMIERs) to incorporate the new credit score models will be developed as part of the implementation plans. No information about specifics such as potential changes to PMIERs is available at this time. FHFA and the Enterprises will work with the MIs as part of the implementation.

Borrower Impact

17. How will the model update affect access to credit?

FHFA has a strategic priority to promote equitable access to sustainable and affordable mortgage credit. Newer credit score models offer advantages, including being generally more reliable, accurate, and predictive than Classic FICO, which the GSEs have used for over 20 years. Newer credit score models also include more recent borrower credit behavior such as trended data and they use newly available consumer information at the credit bureaus.

FHFA has previously stated that FICO Classic remains an adequate assessment of risk for the GSEs during the transition.

18. Do borrowers get the same score from the new models, e.g., is 680 Classic FICO = new model 680?

Each credit score model works slightly differently, so there would not be an exact correlation between a borrower's Classic FICO credit score and their credit score under the new models.

19. How will the GSEs handle applications from borrowers who do not have a credit score under the new models?

Both GSEs currently have and will continue to have policies and automated underwriting solutions allowing mortgage lenders to serve borrowers without a traditional credit history or a credit score. Details are in Freddie Mac's *Single-Family Seller/Service Guide* and Fannie Mae's *Selling Guide*.

Other

20. How will this decision affect market competition?

FHFA supports a fair, open, and competitive marketplace, consistent with the priorities set out in the Administration's [Executive Order on Promoting Competition in the American Economy](#).

21. How often should the mortgage industry expect to implement a new credit score(s)?

FHFA's final rule anticipates periodic repeats of the assessment process to test and validate credit score models for accuracy, reliability, and integrity.

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22. How will the credit score(s) model update impact GSEs' overall risk profile? Capital position?

Details about changes such as any impacts on capital will be developed as part of the implementation plans. No information about specifics such as potential capital changes is available at this time.

For example, FHFA may consider whether the Enterprise Regulatory Capital Framework (ERCF) needs to be re-calibrated. Freddie Mac and Fannie Mae will also evaluate whether any internal models that are used for financials and ERCF need re-calibration. While we do not anticipate material changes to their risk profiles, the GSEs will work with FHFA to determine any capital impacts.

23. Will FHA, Rural Housing, and VA require the same credit score model(s), and what would be the timeline for those agencies to implement?

Questions about potential changes by FHA, Rural Housing, and VA should be directed to those agencies.

HOLD / extra questions**24. Is the selected scores that much better than Classic FICO to justify the cost of implementation?**

FHFA recognizes that transitioning to the newer credit score models will be a major undertaking and will have significant cost impacts. However, FHFA believes that a change is necessary because Classic FICO has been in use by the Enterprises for almost 20 years, and the newer credit score models are more accurate and more inclusive.

Modern credit score models are more accurate in their risk assessment of credit risk and provide a small improvement in credit access. Since credit score models are used throughout the mortgage process a more accurate model will benefit the entire process and all parties. For example, mortgage insurers and MBS investors use credit scores for risk modeling, so the benefits of a modern score cover the whole industry.

25. Fannie Mae no longer relies on a third-party credit score in its AUS, and FHFA recently disclosed that Freddie Mac will do the same soon. Does this make the new score(s) irrelevant? Why go through all this if neither Enterprise is going to use credit scores?

Use of credit scores goes well beyond underwriting assessments, such as pricing and delivery, servicing, Credit Risk Transfer, securitization, risk models and disclosures and the regulatory capital and PMIERS requirements.

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26. Will the credit bureaus charge lenders more for the new score(s) than the existing credit score? (FHFA)

Questions about pricing of credit scores should be directed to the credit bureaus and the owners of the credit score models.

27. Why did FHFA not approve the Enterprise recommendations to continue a single credit score approach?

FHFA conducted an independent analysis of the potential impacts of any change to the Enterprise credit score model requirements and concluded that approving both FICO 10T and VantageScore 4.0 provides greater access to credit coverage than a single score and provides the mortgage market with an improved view of risk from not just one but two different credit score models.

28. Which credit score models were evaluated?

FICO submitted applications for Classic FICO, FICO 9, FICO 10, FICO 10T, and FICO Resilience Index. VantageScore submitted an application for VantageScore 4.0. No other applications were received by the Enterprises. FHFA and the Enterprises conducted thorough evaluations of all credit score models for which applications were submitted.

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[DATE]

Mr. David Benson
President and Interim Chief Executive Officer
Federal National Mortgage Association
1100 15th Street, NW
Washington, DC 20005

Re: Determinations on Validation and Approval of Credit Score Models

Dear Mr. Benson:

On December 17, 2021, Fannie Mae submitted to FHFA its proposed determinations on the credit score model applications that were received in response to the Joint Enterprise Credit Score Solicitation dated February 18, 2020. Fannie Mae proposed approval of the application for FICO 10T, and Fannie Mae proposed disapproval of the applications for FICO 9, FICO 10, FICO Resilience Index, and VantageScore 4.0.

FHFA has completed its review of Fannie Mae's proposed determinations in accordance with FHFA's regulation on the Validation and Approval of Credit Score Models. FHFA's review included an independent analysis of the potential impacts of any change to an Enterprise's credit score model. FHFA has determined that the applications for both FICO 10T and VantageScore 4.0 should be approved. Specifically:

1. FHFA approves Fannie Mae's proposed determination for FICO 10T, and FHFA directs Fannie Mae to approve the application for FICO 10T.
2. FHFA disapproves Fannie Mae's proposed determination for VantageScore 4.0, and FHFA directs Fannie Mae to approve the application for VantageScore 4.0.
3. FHFA approves Fannie Mae's proposed determinations for FICO 9, FICO 10, and FICO Resilience Index, and FHFA directs Fannie Mae to disapprove the applications for FICO 9, FICO 10, and FICO Resilience Index.

As specified in 12 CFR 1254.9(b) and 1254.9(c), Fannie Mae must notify the public and the applicants of Fannie Mae's approval of FICO 10T and VantageScore 4.0 within 30 days of the date of this letter. Fannie Mae must also notify FICO of Fannie Mae's disapproval for the remaining applications, including a description of the reasons for disapproval, within the same timeframe.

FHFA is imposing two conditions on the above determinations, consistent with 12 CFR 1254.9(a). First, as a condition of FHFA's determinations, FHFA is requiring that Fannie Mae replace the requirement for lenders to deliver Classic FICO scores for loans purchased by Fannie Mae with a requirement for lenders to deliver both FICO 10T scores and VantageScore 4.0

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scores for loans purchased by Fannie Mae. Fannie Mae has previously approved Classic FICO for use. However, upon implementation of the new credit score models, the current requirement for lenders to deliver Classic FICO scores for each loan purchased must be retired.

Second, FHFA's determinations are contingent on the successful development of a feasible implementation plan, including any necessary contractual arrangements for the use of and disclosures related to the newly approved credit score models. FHFA recognizes that replacement of Classic FICO will require a substantial investment of time and resources to ensure a smooth transition to the use of the newly approved credit score models.

FHFA is requiring that Fannie Mae work jointly with FHFA and Freddie Mac on the development of the implementation plan. The plan will be subject to review and approval by FHFA. Fannie Mae should submit an implementation plan to FHFA by January 31, 2023.

If you have any questions, please contact Naa Awaa Tagoe, Deputy Director, Division of Housing Mission & Goals, at NaaAwaa.Tagoe@fhfa.gov or 202-649-3140.

Sincerely,

Sandra L. Thompson

CONTROLLED

[DATE]

Mr. Michael DeVito
Chief Executive Officer
Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22103-3107

Re: Determinations on Validation and Approval of Credit Score Models

Dear Mr. DeVito:

On January 21, 2022, Freddie Mac submitted to FHFA its proposed determinations on the credit score model applications that were received in response to the Joint Enterprise Credit Score Solicitation dated February 18, 2020. Freddie Mac proposed approval of the application for FICO 10T, and Freddie Mac proposed disapproval of the applications for FICO 9, FICO 10, FICO Resilience Index, and VantageScore 4.0.

FHFA has completed its review of Freddie Mac's proposed determinations in accordance with FHFA's regulation on the Validation and Approval of Credit Score Models. FHFA's review included an independent analysis of the potential impacts of any change to an Enterprise's credit score model. FHFA has determined that the applications for both FICO 10T and VantageScore 4.0 should be approved. Specifically:

1. FHFA approves Freddie Mac's proposed determination for FICO 10T, and FHFA directs Freddie Mac to approve the application for FICO 10T.
2. FHFA disapproves Freddie Mac's proposed determination for VantageScore 4.0, and FHFA directs Freddie Mac to approve the application for VantageScore 4.0.
3. FHFA approves Freddie Mac's proposed determinations for FICO 9, FICO 10, and FICO Resilience Index, and FHFA directs Freddie Mac to disapprove the applications for FICO 9, FICO 10, and FICO Resilience Index.

As specified in 12 CFR 1254.9(b) and 1254.9(c), Freddie Mac must notify the public and the applicants of Freddie Mac's approval of FICO 10T and VantageScore 4.0 within 30 days of the date of this letter. Freddie Mac must also notify FICO of Freddie Mac's disapproval for the remaining applications, including a description of the reasons for disapproval, within the same timeframe.

FHFA is imposing two conditions on the above determinations, consistent with 12 CFR 1254.9(a). First, as a condition of FHFA's determinations, FHFA is requiring that Freddie Mac replace the requirement for lenders to deliver Classic FICO scores for loans purchased by Freddie Mac with a requirement for lenders to deliver both FICO 10T scores and

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VantageScore 4.0 scores for loans purchased by Freddie Mac. Freddie Mac has previously approved Classic FICO for use. However, upon implementation of the new credit score models, the current requirement for lenders to deliver Classic FICO scores for each loan purchased must be retired.

Second, FHFA's determinations are contingent on the successful development of a feasible implementation plan, including any necessary contractual arrangements for the use of and disclosures related to the newly approved credit score models. FHFA recognizes that replacement of Classic FICO will require a substantial investment of time and resources to ensure a smooth transition to the use of the newly approved credit score models.

FHFA is requiring that Freddie Mac work jointly with FHFA and Fannie Mae on the development of the implementation plan. The plan will be subject to review and approval by FHFA. Freddie Mac should submit an implementation plan to FHFA by January 31, 2023.

If you have any questions, please contact Naa Awaa Tagoe, Deputy Director, Division of Housing Mission & Goals, at NaaAwaa.Tagoe@fhfa.gov or 202-649-3140.

Sincerely,

Sandra L. Thompson

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DRAFT Directive on Tri-Merge Credit Reports

To: General Counsels

Cc: See below for full list

Subject: Directive | Tri-Merge Credit Reports

Counsels—

On April 14, 2022, FHFA requested that Fannie Mae and Freddie Mac each conduct separate analyses of the impact to accuracy if the Enterprise changed their existing “tri-merge” requirement, under which lenders are required to deliver credit reports from each of the three nationwide consumer reporting agencies (Equifax, Experian, and TransUnion, collectively the “nationwide CRAs”). After reviewing the independent analysis of each Enterprise, FHFA has determined that it is necessary and appropriate to require the Enterprises to replace the current “tri-merge” requirement with a requirement that lenders deliver credit reports from any two of the three nationwide CRAs.

FHFA, as conservator, directs each Enterprise to replace the existing tri-merge requirement with a requirement for lenders to deliver credit reports from any two of the three nationwide CRAs.

Fannie Mae and Freddie Mac must work jointly with each other and with FHFA on the implementation of the change to the tri-merge requirement, including timing, rollout, and related communications. The Enterprises must submit any implementation plans and any communications related to the tri-merge change to FHFA for prior review and approval. FHFA’s Division of Housing Mission and Goals may approve such implementation plans and communications by email, including any required revisions.

The Enterprises should implement this directive in accordance with the December 18, 2017 Letters of Instruction. This directive does not preclude supervisory review of the changes and Enterprise management of associated risks.

If you have any questions, you may contact me directly or Maria Fernandez at 202 649 3103 or Maria.Fernandez@fhfa.gov.

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Cc:**Freddie Mac:**

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DRAFT Talk Directive on Credit Scores, Credit Score Models, and Credit Reports

To: General Counsels

Cc: See below for full list

Subject: Talk Directive | Credit Scores, Credit Score Models, and Credit Reports

Counsels—

October 24, 2022, 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). FHFA has determined that joint discussions and information sharing between the Enterprises and with FHFA on matters related to credit scores, credit score models, and credit reports are necessary and appropriate to further FHFA's objectives as regulator and conservator.

FHFA, as conservator, directs the Enterprises to engage in joint discussions and share information about any matters related to FHFA's consideration of Enterprise requirements for credit scores, credit score models, and credit reports. This includes joint discussions and information sharing on the following—

1. Any matters related to the joint implementation plans required by FHFA as a condition on the validation and approval of FICO 10T and VantageScore 4.0;
2. Any matters related to the evaluation of third-party credit score models pursuant to the August 13, 2019 final rule on Validation and Approval of Credit Score Models;
3. Any matters related to the acquisition or use of third-party credit scores, third-party credit score models, or third-party credit reports, including any contractual negotiations with suppliers related to the implementation and use of different or new third-party credit scores or third-party credit score models for use by the Enterprises in connection with their automated underwriting systems or their mortgage purchase systems;
4. Any operational issues, including but not limited to disclosure and data issues, related to the potential implementation of different or new third-party credit scores or third-party credit score models, or related to third-party credit reports;
5. Any communications, stakeholder outreach, or other matters related to the announcement or implementation of any changes to Enterprise requirements for third-party credit scores, third-party credit score models, or third-party credit reports; and
6. Any other matters related to the evaluation, use, or acquisition of third-party credit scores, third-party credit score models, or third-party credit reports, as identified and communicated by FHFA.

Joint discussions and activities of the Enterprises pursuant to this directive should be undertaken in line with the FHFA General Counsel Communication of June 21, 2012 and the December 18, 2017 Revised Letters of Instruction. FHFA may provide further guidance by email on whether

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particular topics should be discussed jointly or should be developed separately by each Enterprise.

If you have any questions, you may contact me directly or Maria Fernandez at 202 649 3103 or Maria.Fernandez@fhfa.gov.

Cc:**Freddie Mac:**

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Statement of Authority and Summary of Rationale for Credit Score Model Determinations

On October 24, 2022, the FHFA Director will announce a decision regarding the validation and approval of FICO 10T and VantageScore 4.0. This decision will be communicated to Fannie Mae and Freddie Mac in determination letters to be signed by the FHFA Director (see other attachments to this eCC package).

FHFA's determinations are based on and consistent with three sources of legal authority to regulate the Enterprises' use of credit score models: (1) the Validation and Approval of Credit Score Models regulation (12 CFR part 1254) and section 310 of the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (Pub. L. 115-174); (2) FHFA's authority as prudential regulator under the Federal Housing Enterprises Financial Safety and Soundness Act (12 U.S.C. § 4511 et seq.); and (3) FHFA's authority as conservator under the Safety and Soundness Act (12 U.S.C. § 4617 et seq.). Each of these sources provides an independent basis for FHFA's decision to direct the Enterprises to approve both FICO 10T and VantageScore 4.0 for use by the Enterprises.

The rationale for FHFA's determinations is summarized in the Staff Analysis Memo and Credit Score Options presentation that were presented for discussion at a meeting of FHFA's Conservatorship Committee on October 20, 2022.

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FHFA's consideration of these factors is described in more detail in the Staff Analysis Memo and Credit Score Options presentation. FHFA staff reviewed the analysis submitted by each Enterprise supporting their respective recommendations, as well as the application materials submitted by the applicants themselves, and other relevant materials. FHFA staff also conducted substantial outreach, including across different divisions within FHFA, with other government agencies and regulators, with the Enterprises themselves, and with a variety of outside parties, including consumer advocates, lenders, mortgage insurance companies, investors, and mortgage industry service providers. Taken as a whole, these materials together memorialize FHFA's independent analysis under 12 CFR 1254.8(d).

Based on these considerations and an evaluation of all relevant material, FHFA finds that both FICO 10T and VantageScore 4.0 meet the criteria set forth in the Credit Score Assessment under 12 CFR 1254.7 and in the Enterprise Business Assessment under 12 CFR 1254.8, as those criteria are further explicated in the Joint Enterprise Credit Score Solicitation, which was published by the Enterprises on February 18, 2020, following approval by FHFA.

Section 1254.8(d) of the Validation and Approval of Credit Score Models regulation specifically permits FHFA to "require an Enterprise to permit the use of a single credit score model or multiple credit score models." FHFA finds that directing the Enterprises to require lenders to provide both FICO 10T scores and VantageScore 4.0 scores will benefit borrowers and the Enterprises along with maintaining safety and soundness of the mortgage market. In making this decision, FHFA recognizes that replacing Classic FICO with two new credit score models will be a lengthy and costly undertaking. However, FHFA finds that the improved accuracy of the new models will allow the Enterprises to responsibly and sustainably expand access to credit for borrowers with less robust credit histories. In addition, requiring both score models will provide lenders, investors, and others with two different views of risk due to the differences in the models and minimum scoring criteria. Furthermore, requiring lenders to obtain and deliver both VantageScore 4.0 and FICO 10T credit scores will prevent adverse selection by the industry, because lenders will not be able to choose which score to use for eligibility or pricing.

Finally, while it is difficult to foster competition in a market with a limited number of competitors and high barriers to entry, by approving the most accurate credit score submitted by each of the two applicants, FHFA is opening the mortgage market to a new competitor. FHFA expects that if the Enterprises are able to require transparent loan-level disclosures of both scores, both current and potential future applicants will have an incentive to innovate and improve their credit score models to be as accurate, reliable, and fair as possible. For this reason, FHFA's determination letters also require as a condition of approval that the Enterprises develop a feasible implementation plan, including any necessary contractual arrangements for the use of and disclosures related to the newly approved credit score models.

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VALIDATION AND APPROVAL OF CREDIT SCORE MODELS

October 20, 2022



BACKGROUND: CREDIT SCORE LAW AND REGULATION

- On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act became law (the Act).^{*} Section 310 of the Act required FHFA to publish a regulation to establish standards and criteria for a process that Fannie Mae and Freddie Mac will follow to validate and approve credit score models. The Act also required FHFA to set criteria for integrity, reliability, and accuracy of credit score models.
- FHFA published its final rule on August 16, 2019 (12 CFR Part 1254). The regulation establishes a four-phase process for an Enterprise to validate and approve credit score models: Solicitation of applications from model developers; Submission and initial review of applications; Credit Score Assessment (CSA); and Enterprise Business Assessment (EBA).
- The regulation provides that FHFA will approve or disapprove each Enterprise's proposed determination within 45 days of an Enterprise submission.
 - On December 17, 2021, Fannie Mae submitted to FHFA its proposed determination to approve FICO 10T only.
 - On January 21, 2022, Freddie Mac submitted to FHFA its proposed determination to approve FICO 10T only.
 - FHFA extended the timeline for its review to March 7, 2022, and on March 7, extended the timeline again to April 15, 2022. On April 14, 2022, FHFA extended the timeline for its review until further notice.

** The Act does not require the Enterprises to use third party credit score models, but if they require credit scores for loan purchase, the Act requires the models to be validated and approved.*



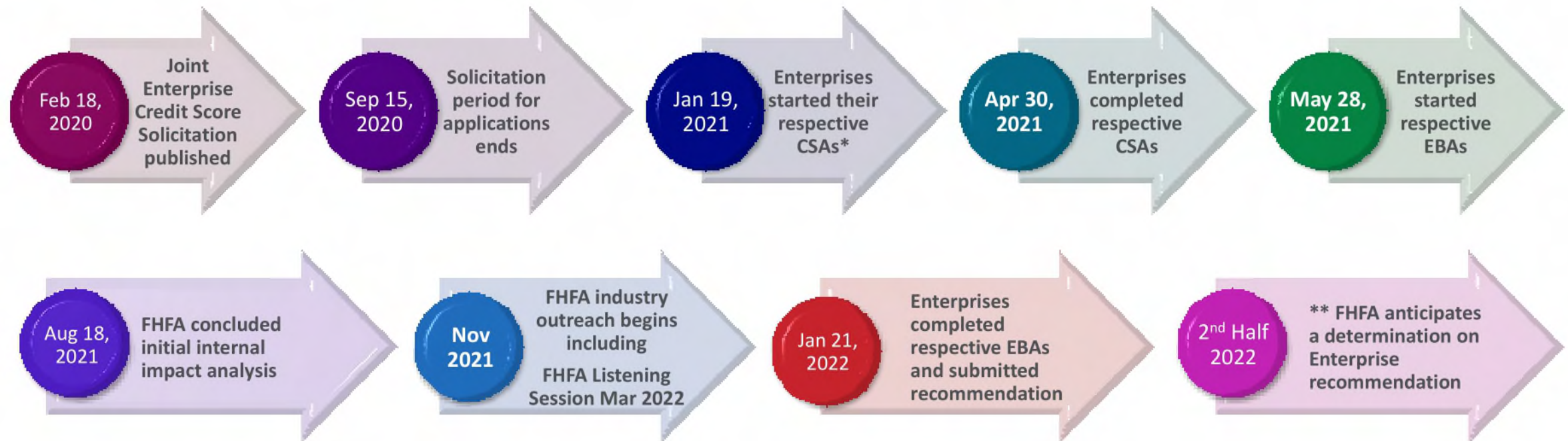
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AGENDA

- The purpose of this presentation is to:
 - Propose options for FHFA's determination under the rule.
 - Assess the proposed options using the factors specified by the rule.
 - Provide a recommendation on revising the (b)(5)
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 - Discuss next steps.

CREDIT SCORE RULE IMPLEMENTATION STATUS

Steps Taken in the Validation and Approval Process



- **Note:** After the solicitation period ended, the Enterprises reviewed applications for completeness and provided applicants an opportunity to submit additional information on their fair lending certifications by January 2021. The Enterprise CSAs began once that additional information was received.

** Please see Slide 2 for FHFA review details.

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OPTIONS UNDER CONSIDERATION

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SIX FACTORS TO CONSIDER

The Rule requires the Enterprises to consider the following factors when validating and approving the credit score models. FHFA considered the same factors in conducting its independent analysis under the Rule.

- 1) **Third-party Vendor Review:** Evaluates the organizational and financial strength of the applicants.
- 2) **Accuracy and Reliability Standard:** Evaluates the credit score model's ability to accurately reflect a borrower's propensity to repay a mortgage loan in accordance with its terms, and whether it does so reliably in changing economic conditions.
- 3) **Integrity Standard:** Ensures the credit score model uses relevant data that reasonably encompasses the borrower's credit history and financial performance.
- 4) **Competitive Effects:** Evaluates whether the approval of a credit score model is likely to promote fair, open, and competitive marketplaces, avoid excessive consolidation and concentrated market power, and/or encourage robust competition and innovation.
- 5) **Impacts, Costs, and Benefits to the Enterprises and Industry:** Evaluates the impact a change in credit score models would have on Enterprises and the mortgage industry operations.
- 6) **Fair Lending Assessments and Impacts:** Assesses the extent to which each option furthers fair lending, equity, and access to credit.



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FHFA ANALYSIS

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FACTOR 1: THIRD PARTY VENDOR REVIEW

Evaluates the organizational and financial strength of the applicants.

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FACTOR 2: ACCURACY AND RELIABILITY STANDARD

Evaluates the credit score model's ability to accurately reflect a borrower's propensity to repay a mortgage loan in accordance with its terms, and whether it does so reliably in changing economic conditions.

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FACTOR 3: INTEGRITY STANDARD

Ensures the credit score model uses relevant data that reasonably encompasses the borrower's credit history and financial performance.

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FACTOR 4: COMPETITIVE EFFECTS

Evaluates whether the approval of credit score model promotes fair, open, and competitive marketplaces, avoids excessive consolidation and concentrated market power, and encourages robust competition and innovation.

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FACTOR 5: IMPACTS, COSTS, AND BENEFITS

Evaluates the impact a change in credit score models would have on Enterprises and the mortgage industry operations and risk management.

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Estimated cost of (b)(5) compliance

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FACTOR 6: FAIR LENDING ASSESSMENT

Assesses the extent to which each option furthers fair lending, equity, and access to credit.

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OTHER REGULATIONS

- The final rule provides that FHFA's evaluation should include consideration of potential impacts a change in credit score requirements may have on other FHFA regulations and aligned Enterprise policies.

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SUMMARY

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Factor	<div>(b)(5)</div>
Organizational and Financial Strength	
Accuracy and Reliability	
Integrity	
Competitive Effects	
Impact, Costs, and Benefits	
Fair Lending	
<i>Note: More information</i>	



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MEDICAL DEBT: VANTAGESCORE AND FICO

- In March 2022, the credit bureaus announced that they planned to make changes to how medical debt is reported in consumer credit reports.
 - Effective July 1, 2022, paid medical collection debt will no longer be included on consumer credit reports.
 - Effective July 1, 2022, the time period before unpaid medical collection debt would appear on a consumer's report will be increased from 6 months to one year.
 - Effective sometime in 2023, the CRAs will no longer include medical collection debt under \$500 on credit reports.

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BACKGROUND ON TRI-MERGE CREDIT REPORT REQUIREMENTS

- Both Enterprises require that lenders provide credit reports from all three nationwide consumer reporting agencies (the tri-merge report requirement).
- In the 2017 RFI, FHFA explored whether changes to the tri-merge report requirement would: 1) maintain consumer credit accuracy; 2) enable resellers to see more competitive pricing from the CRAs; and 3) result in more competitive pricing at the reseller level being passed down to lenders and the mortgage applicant.
- Some respondents expressed their opinion that two credit reports provided enough information and could offer potential savings for lenders and consumers. Other respondents from the mortgage insurance industry indicated the need for continuing the tri-merge credit report because they believed that one or two credit reports did not provide sufficient information on the borrower's capacity to repay debts.
- In April 2022, FHFA asked the Enterprises to refresh previous analyses on the accuracy of their AUS under a tri-merge, bi-merge, or single in-file credit report requirement. FHFA also requested that the Enterprises look at the impacts to their credit assessment and accept/approve rates from their AUSs; how a bi-merge or single in-file credit report could change the pricing power of the CRAs; and potential changes in costs for credit reports paid by the borrower.



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2022 ENTERPRISES' TRI-MERGE TO BI-MERGE RESEARCH FINDINGS

- In May 2022, the Enterprises reported to FHFA that the tri-merge and bi-merge credit reports perform similarly whereas a single in-file report showed a decrease in accuracy. Please see Slide 26 for more detailed information.
- Both Enterprises believe that changing the tri-merge requirement could reduce costs and could introduce competition among CRAs. Lenders may continue to order three credit reports for some groups of loans even if the Enterprises only require two credit reports.



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RECOMMENDATION ON TRI-MERGE REQUIREMENTS

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NEXT STEPS

- Finalize communications strategy.
- Implementation planning including proposed language to 2023 Scorecard for Credit Score Project deliverables.

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APPENDIX



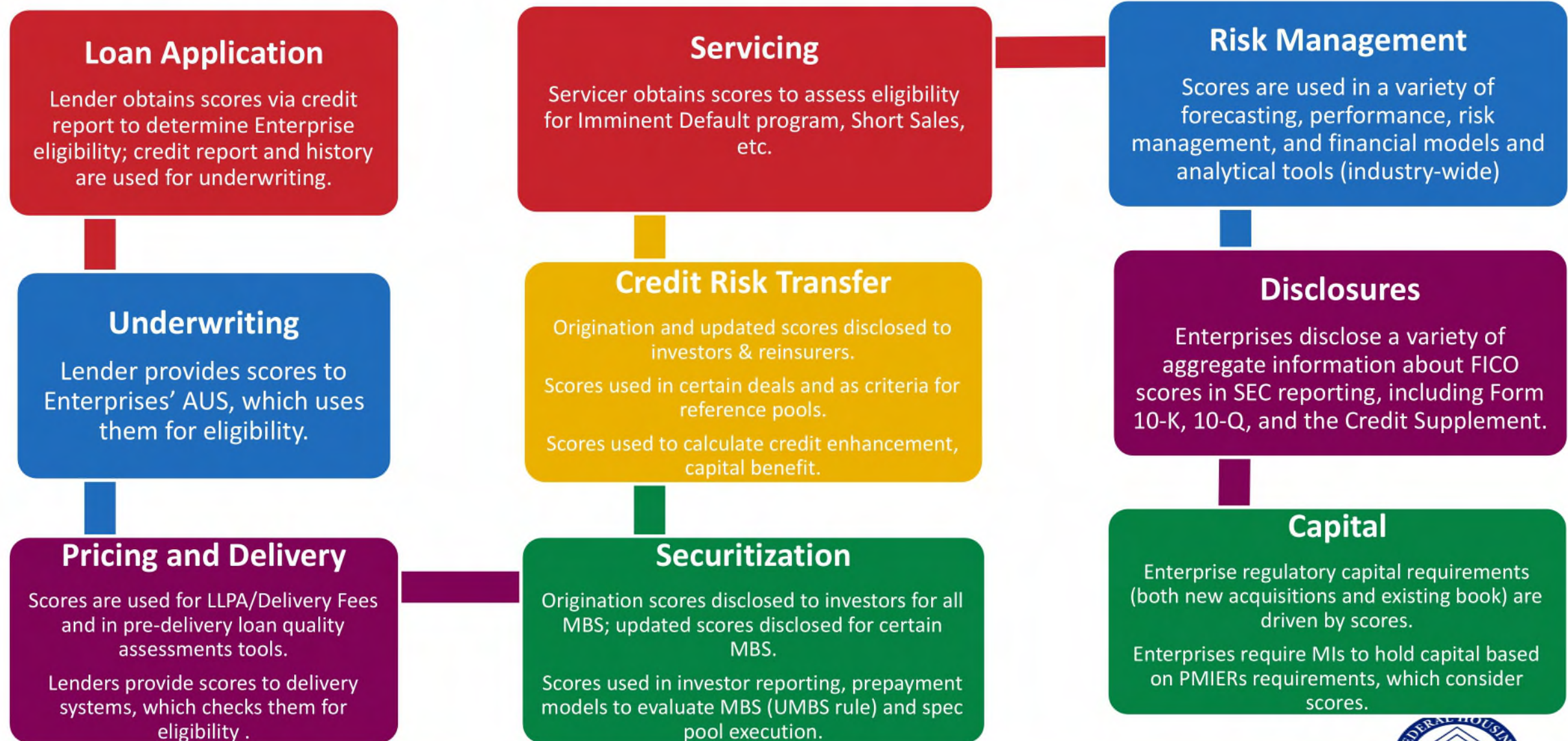
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APPENDIX LIST

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ENTERPRISE CREDIT SCORE TOUCHPOINTS

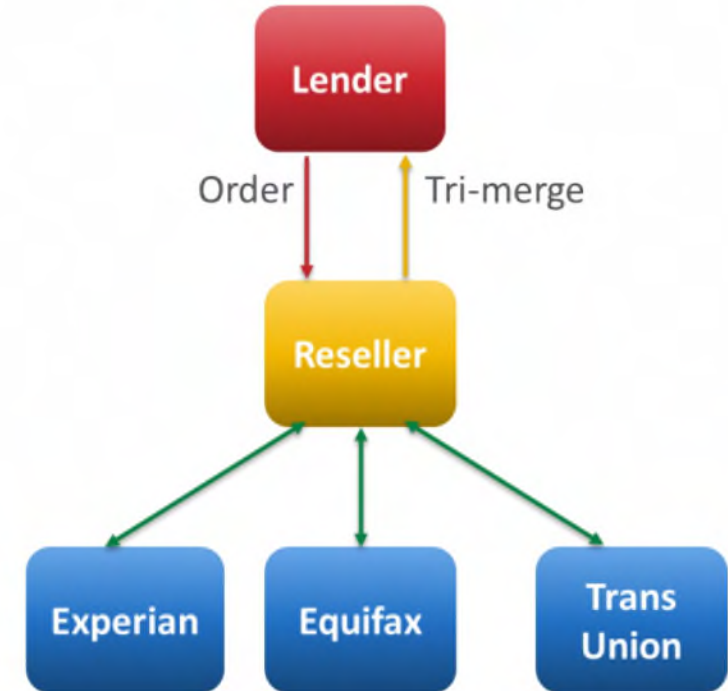


TRI-MERGE REQUIREMENTS/PROCESS

There are three basic steps in the process of ordering a tri-merge credit report:

- 1) A tri-merge credit report is ordered by the lender through a loan origination system (LOS), DU or LPA and the order is sent to a reseller;
- 2) the reseller sends order to each CRA and when the in-files are received, the reseller de-duplicates and merges all three into one tri-merge in-file credit report; and
- 3) the reseller sends a lender version and a consumer version of the tri-merge in-file credit report to the lender. If the lender has designated either DU or LPA in its order, the reseller will also send the report to DU or LPA.

Figure 29: Tri-merge Process



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2022 ENTERPRISES' TRI-MERGE TO BI-MERGE RESEARCH FINDINGS

Pricing/Costs

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2022 ENTERPRISES' TRI-MERGE TO BI-MERGE RESEARCH FINDINGS

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STAFF ANALYSIS

Validation and Approval of Credit Score Models
October 20, 2022

RECOMMENDATION

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BACKGROUND

PROCESS FOR VALIDATION AND APPROVAL OF CREDIT SCORE MODELS

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (the Act) was signed into law (Pub. L. No. 115-174). [Section 310 of the Act](#) (the Act) amended the Enterprise Charter Acts and the Federal Housing Enterprises Financial Safety and Soundness Act, establishing new requirements for the validation and approval of credit score models used by the Enterprises. While the Act does not require the Enterprises to use third-party credit scores, if an Enterprise conditions the purchase of a mortgage on a borrower's credit score, that credit score must be produced by a model that has been validated and approved in accordance with the Act. The Act also requires: 1) FHFA to establish, by notice and comment rulemaking, standards and criteria that will be used in a process where the Enterprises validate and approve credit score models; 2) the Enterprises to publish a description of their validation and approval process, consistent with the standards and criteria in the FHFA regulation; and 3) that the Enterprises provide for the use of the validated and approved credit score by all of the

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automated underwriting systems (AUS) of the corporation and any other procedures and systems used by the corporation to purchase residential mortgages that use a credit score.

On December 21, 2018, FHFA published a [proposed rule](#) in the Federal Register on the Validation and Approval of Credit Score Models. The Agency received 60 comment letters, most of which were generally supportive of the proposed rule. The [final rule](#) was published in the Federal Register on August 16, 2019. The final rule became effective on October 15, 2019.

The final rule establishes a detailed process for the validation and approval of credit score models:

- Enterprise solicitation of applications from credit score model providers
- Enterprise review of submitted applications
- Credit score assessment by the Enterprise
- Enterprise business assessment
- FHFA evaluation
- Enterprise recommendation and FHFA determination

FHFA and the Enterprises have completed most of the steps in the process set out in the final rule. This memorandum memorializes FHFA's evaluation, which will inform the pending determination by the Agency.

Implementation of the Final Rule to Date

In accordance with the timeframes outlined in the final rule, the Enterprises posted a [Joint Enterprise Credit Score Solicitation](#) on February 18, 2020. Interested Applicants were given 90 days to preview the solicitation before the solicitation period opened on May 18, 2020. The lengthy preview period ensured that potential Applicants had sufficient time to understand the requirements of the validation and approval process prior to submitting an application. Applicants were then given 120 days to submit their applications before the solicitation period ended on September 15, 2020.

The Enterprises received applications from two credit score model developers during the solicitation period. VantageScore, LLC submitted its [application for VantageScore 4.0](#) to the Enterprises on July 15, 2020.¹ FICO submitted its application for Classic FICO to the Enterprises on May 27, 2020, and for [FICO 9](#), [FICO 10](#), [FICO 10T](#), and [FICO Resilience Index](#) on September 15, 2020.

¹ On August 10, 2022, VantageScore announced that VantageScore 4.0 will no longer use medical debt collection data in the calculation of consumers' credit scores, regardless of the amount owed or the age of the collection. See [VantageScore press release](#). Further review by FHFA of the nature and extent of any changes to VantageScore 4.0 or any other credit score models may be warranted as part of the implementation phase.

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Enterprise validation and approval of Classic FICO

The Act requires that if the Enterprises condition loan purchase on provision of a credit score after November 20, 2020, it must be a credit score that has been validated and approved. In order to meet this statutory deadline, each Enterprise completed a full evaluation of Classic FICO under the regulation on an expedited basis, including a credit score assessment and an Enterprise business assessment. On September 3, 2020, Fannie Mae submitted to FHFA its evaluation results, including its proposed determination to approve Classic FICO. On September 4, 2020, Freddie Mac submitted to FHFA its evaluation results, including its proposed determination to approve Classic FICO. On October 19, 2020, FHFA notified Fannie Mae and Freddie Mac that FHFA had completed its review of each Enterprise's proposed determination and that the proposed determinations were approved.

On November 10, 2020, FHFA announced [the validation and approval of the Classic FICO credit score model](#) for use by the Enterprises, which allowed them to continue supporting the mortgage market while assessing the applications from credit score model developers that were submitted in response to the 2020 Joint Enterprise Credit Score Solicitation.

Enterprise Evaluation of Other Credit Score Models

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The final rule provides that FHFA will approve or disapprove each Enterprise's proposed determination within 45 days of an Enterprise submission. On January 27, 2022, FHFA extended the 45 -day timeline for reviewing and approving Fannie Mae's proposal until March 7, 2022, to coincide with the 45-day timeline associated with reviewing and approving Freddie Mac's proposal. On March 7, 2022, FHFA extended the timeline for its review until April 15, 2022, and on April 14, 2022, FHFA extended the timeline for its review until further notice.

FHFA ANALYSIS

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SUMMARY OF CREDIT SCORE MODEL OPTIONS

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IMPLEMENTATION PLANNING

A transition to new credit score requirements will require careful and thoughtful implementation planning by the Enterprises and the mortgage industry, a common theme throughout the outreach that FHFA and the Enterprises have conducted since 2015.

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DECISIONS**CREDIT SCORE MODEL OPTIONS**

Require the Enterprises to update their credit score requirements to FICO 10T only

_____ Agree _____ Disagree _____ Let's Discuss

Require the Enterprises to update their credit score requirements to VantageScore 4.0 only

_____ Agree _____ Disagree _____ Let's Discuss

Require the Enterprises to update the credit scores requirements to both FICO 10T and VantageScore 4.0.

_____ Agree _____ Disagree _____ Let's Discuss

ADOPT BI-MERGE CREDIT REPORT REQUIREMENTS

Require the Enterprises to update their credit report requirements from requiring reports from three credit reporting agencies (CRAs) to require reports from two CRAs.

_____ Agree _____ Disagree _____ Let's Discuss

Sandra L. Thompson, Director
Federal Housing Finance Agency

Date

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ATTACHMENTS

1. Public Law
2. Validation and Approval of Credit Score Models Rule
3. Joint Enterprises Solicitations
4. Credit Score Model Applications

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5. Fannie Mae Credit Score Assessment and Enterprise Business Assessment
6. Freddie Mac Credit Score Assessment and Enterprises Business Assessment
7. Draft Determination Language
8. Draft Talk Directive re: Credit Scores
9. Draft Directive re: Tri-merge Reporting Requirements

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 Sika Pryor, Division of Housing Mission and Goals; Office of Housing and Regulatory Policy
 Robert Dunskey, Division of Research and Statistics, Research Branch
 Annalyce Shufelt, Division of Housing Mission and Goals; Office of Fair Lending Oversight
 Kevin Sheehan, Office of General Counsel

STAKEHOLDERS

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 Daniel Coates, Deputy Director, Division of Research and Statistics
 Nina Nichols, Deputy Director, Division of Accounting and Financial Standards
 Jason Cave, Deputy Director, Division of Conservatorship Oversight and Readiness
 Andre Galeano, Deputy Director, Division of Enterprise Regulation
 Laura Thrift, Director, Director, Office of Congressional Affairs and Communications

From: [Jones III, Clinton](#)
To: [Heidi Mason \[FRE General Counsel\]](#); [Terry Theologides \[FNM General Counsel\]](#)
Cc: [Michael DeVito \[FRE CEO\]](#); [Michael Hutchins \[FRE President\]](#); [Michael Timmins \[FRE\]](#); [Jerry Weiss \[FRE EVP\]](#); [Alicia Myara \[FRE-OGC\]](#); [David Benson \[FNM Interim CEO & President\]](#); [Nancy Jardini \[FNM\]](#); [Michele McCarthy \[FNM\]](#); [Julie E Katzman \[FNM-OGC\]](#); [FHFA Conservator Decision](#); [Cave, Jason](#); [Galeano, Andre](#); [Tagoe, Naa Awa](#); [Fernandez, Maria](#); [Chang, Karen](#); [Dickerson, Christopher](#); [Yi, Charles](#); [Fernandez, Maria](#); [Smolen, Miriam](#); [Sheehan, Kevin](#); [FHFA Conservator Decision](#)
Subject: Directive | Tri-Merge Credit Reports
Date: Wednesday, October 26, 2022 5:01:02 PM

Counsels—

On April 14, 2022, FHFA requested that Fannie Mae and Freddie Mac each conduct separate analyses of the impact to accuracy if the Enterprise changed their existing “tri-merge” requirement, under which lenders are required to deliver credit reports from each of the three nationwide consumer reporting agencies (Equifax, Experian, and TransUnion, collectively the “nationwide CRAs”). After reviewing the independent analysis of each Enterprise, FHFA has determined that it is necessary and appropriate to require the Enterprises to replace the current “tri-merge” requirement with a requirement that lenders deliver credit reports from any two of the three nationwide CRAs.

FHFA, as conservator, directs each Enterprise to replace the existing tri-merge requirement with a requirement for lenders to deliver credit reports from any two of the three nationwide CRAs.

Fannie Mae and Freddie Mac must work jointly with each other and with FHFA on the implementation of the change to the tri-merge requirement, including timing, rollout, and related communications. The Enterprises must submit any implementation plans and any communications related to the tri-merge change to FHFA for prior review and approval. FHFA’s Division of Housing Mission and Goals may approve such implementation plans and communications by email, including any required revisions.

The Enterprises should implement this directive in accordance with the December 18, 2017 Letters of Instruction. This directive does not preclude supervisory review of the changes and Enterprise management of associated risks.

If you have any questions, you may contact me directly or Maria Fernandez at (202) 649-3103 / Maria.Fernandez@fhfa.gov.

Clinton

Clinton Jones

(he/him/his)

General Counsel

Office of General Counsel | Federal Housing Finance Agency

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Fannie Mae Proposed Determination on the Validation and Approval of the FICO® 9 Score

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Fannie Mae Proposed Determination on the Validation and Approval of the FICO® Score 10

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39 pages withheld pursuant to FOIA
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Fannie Mae Proposed Determination on the Validation and Approval of the FICO® Resilience Index Score

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Fannie Mae Proposed Determination on the Validation and Approval of the VantageScore 4

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Credit Score Rule

Credit Score Model Recommendation

Enterprise Business Assessment: Credit Score Model Recommendation

January 21, 2022

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From: [Jones III, Clinton](#)
To: [Heidi Mason \[FRE General Counsel\]](#); [Terry Theologides \[FNM General Counsel\]](#)
Cc: [Michael DeVito \[FRE CEO\]](#); [Michael Hutchins \[FRE President\]](#); [Michael Timmins \[FRE\]](#); [Jerry Weiss \[FRE EVP\]](#); [Alicia Myara \[FRE-OGC\]](#); [David Benson \[FNM Interim CEO & President\]](#); [Nancy Jardini \[FNM\]](#); [Michele McCarthy \[FNM\]](#); [Julie E Katzman \[FNM-OGC\]](#); [Cave, Jason](#); [Galeano, Andre](#); [Tagoe, Naa Awaa](#); [Fernandez, Maria](#); [Smolen, Miriam](#); [Like, Sharon](#); [Sheehan, Kevin](#); [Chang, Karen](#); [Dickerson, Christopher](#); [Yi, Charles](#); [FHFA Conservator Decision](#)
Subject: Talk Directive | Credit Scores, Credit Score Models, and Credit Reports
Date: Wednesday, October 26, 2022 5:01:03 PM

Counsels—

On October 24, 2022, 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). FHFA has determined that joint discussions and information sharing between the Enterprises and with FHFA on matters related to credit scores, credit score models, and credit reports are necessary and appropriate to further FHFA's objectives as regulator and conservator.

FHFA, as conservator, directs the Enterprises to engage in joint discussions and share information about any matters related to FHFA's consideration of Enterprise requirements for credit scores, credit score models, and credit reports. This includes joint discussions and information sharing on the following—

1. Any matters related to the joint implementation plans required by FHFA as a condition on the validation and approval of FICO 10T and VantageScore 4.0;
2. Any matters related to the evaluation of third-party credit score models pursuant to the August 13, 2019 final rule on Validation and Approval of Credit Score Models;
3. Any matters related to the acquisition or use of third-party credit scores, third-party credit score models, or third-party credit reports, including any contractual negotiations with suppliers related to the implementation and use of different or new third-party credit scores or third-party credit score models for use by the Enterprises in connection with their automated underwriting systems or their mortgage purchase systems;
4. Any operational issues, including but not limited to disclosure and data issues, related to the potential implementation of different or new third-party credit scores or third-party credit score models, or related to third-party credit reports;
5. Any communications, stakeholder outreach, or other matters related to the announcement or implementation of any changes to Enterprise requirements for third-party credit scores, third-party credit score models, or third-party credit reports; and
6. Any other matters related to the evaluation, use, or acquisition of third-party credit scores, third-party credit score models, or third-party credit reports, as identified and communicated by FHFA.

Joint discussions and activities of the Enterprises pursuant to this directive should be undertaken in line with the FHFA General Counsel Communication of June 21, 2012 and the December 18, 2017 Revised Letters of Instruction. FHFA may provide further guidance by email on whether particular topics should be discussed jointly or should be developed separately by each Enterprise.

If you have any questions, you may contact me directly or Maria Fernandez at 202 649 3103 / Maria.Fernandez@fhfa.gov.

Clinton

Clinton Jones

(he/him/his)

General Counsel

Office of General Counsel | Federal Housing Finance Agency

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