

Credit Score Competition – Frequently Asked Questions

What is the FHFA?

The FHFA is the Federal Housing Finance Agency, an independent federal agency charged with regulating Fannie Mae and Freddie Mac, two government sponsored enterprises that facilitate most of the mortgages in the United States.

Why did FHFA create a new rule establishing credit score competition?

Congress directed FHFA to establish a process that Fannie Mae and Freddie Mac must use to ensure that no single brand of credit score is guaranteed an exclusive right to be the only brand used by lenders who sell their mortgages to Fannie Mae or Freddie Mac; ultimately, allowing other brands that meet specified standards and criteria to also be used.

What does the rule do and what does it mean for me?

The new rule authorizes Fannie Mae and Freddie Mac to consider and thoroughly review other credit score model developers like VantageScore, which are more inclusive, predictive and accurate than the models currently required by Fannie Mae and Freddie Mac. Approximately 40 million more people can be scored using VantageScore than can be scored using other traditional credit scoring models – more than 10 million of whom score above 620.

How can VantageScore score 40 million more consumers than traditional credit scoring models?

VantageScore is unique in that it uses more advanced modeling methods such as leveraging trended consumer credit data and machine learning analytics to score people who currently aren't scoreable under traditional credit scoring models. This allows VantageScore to reliably expand the total scoreable population, which ultimately leads to more homeownership opportunities.

What was wrong with the traditional scores historically being used by Fannie and Freddie?

Millions of people are unfairly disadvantaged and penalized by traditional scoring models because they are built on credit data that is over a decade old. Credit behaviors have changed dramatically in the last 30 years and it is important that credit scores reflect how people use credit today.

When will Fannie and Freddie be able to use alternative mortgage credit scores like VantageScore?

Credit score model developers like VantageScore may be used as early as December 2022, pending no significant delays. Currently, VantageScore credit scores are used in all other loan categories (except mortgage), including: Credit Card, Auto and Installment (e.g., personal and/or student loans).

What impact will this decision have on homeownership broadly?

Continued homeownership growth in the United States greatly depends on the ability of Fannie Mae and Freddie Mac to more accurately measure risk. Introducing more predictive, inclusive and accurate scores like VantageScore helps ensure more qualified applicants achieve their goals of becoming homeowners. It also ensures that lenders extend more fair pricing and interest rates to people based on a more accurate credit score.

How will this affect current homeowners who might be looking to refinance their mortgages?

Since your credit score is instrumental in determining your mortgage rate, many qualified applicants could see better refinancing opportunities when alternative scores from model developers like VantageScore are used.



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