



## **FICO® 9.0 - Great New Features, but Currently Not Available for Mortgage Lending**

Last week credit score giant FICO® released the news about its latest credit score model. While the media noted all of the improvements associated with the expected changes the new credit score model FICO®9.0 will bring to consumers with respect to medical collection accounts, it is important to note that this will take time for consumers to experience its impact. As noted in numerous articles, it takes time for lenders to incorporate new score models into their underwriting. Despite this, both loan originator and consumer comments over the past week have shown a belief that the changes will be immediate.

With regard to the mortgage market, the changes will likely take even longer to implement. The mortgage lending market changes only as quickly as Fannie Mae/Freddie Mac and HUD allow underwriting changes, and that has historically been very slow. Since these agencies dictate which credit score models are accepted, it could realistically be years before they are implemented. The current score models required by Fannie/Freddie/HUD are: Equifax Beacon® 5.0; Experian®/Fair Isaac Risk Model V2SM; and TransUnion FICO® Risk Score, Classic 04.

Each of these score models have been replaced by two to three generations of credit scores by both FICO® and the credit score model owned by the three national credit bureaus, VantageScore. The current models required for mortgage lending are based on consumer spending habits from the 2004 – 2005 pre-financial crisis era, which has very distinct differences from the post-financial crisis consumer spending patterns of today.

NCRA believes that the changes in FICO® 9.0 represent significant improvements and recommends they be implemented as soon as possible. As a supporter of the Medical Debt Responsibility Act since its initial drafting in the 110<sup>th</sup> Congressional Session six years ago, NCRA welcomes the improvements FICO® 9.0 has made regarding medical collections. Another longtime NCRA issue, allowing rental payments to be factored into credit decisions, will also be addressed in FICO® 9.0. Both changes make the latest FICO® score similar to the VantageScore treatment of collections and rental payments, so this is not a radical change and needs to be embraced as soon as possible by all sectors of the lending community. As soon as these changes are approved for underwriting your NCRA member consumer reporting agency will be able to provide access to them.

For more information see:

FICO Press Release: [FICO Score 9 Introduces Refined Analysis of Medical Collections](#)

Fannie Mae's Single Family Selling Guide 9/24/2013 pages 459-460

<https://www.fanniemae.com/content/guide/sel092413.pdf> )

Freddie Mac's Single-Family Seller/Service Guide, Vol. 1; Chapter 37, 9/24/2013

<http://www.freddiemac.com/sell/guide/>

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