

FICO® Score 10 T for Mortgage Investors

Powerful, flexible, and trusted



FICO® Score 10 T benefits

- **Delivers** significant predictive lift over prior FICO® Score versions
- **Leverages** trended data for additional consumer behavior insights
- **Retains** continuity with minimum scoring criteria and familiar 300-850 score range

FICO® Score 10 T is the most powerful FICO® Score ever. Demonstrating FICO's industry-leading scoring expertise, this highly predictive score supports more effective consumer credit risk management using recent data from credit reporting agency datasets. The model integrates trended credit data, reflecting FICO's practice of continual innovation to address market and data advancements.

FICO® Score 10 T uses a powerful set of predictive characteristics generated from both traditional and trended credit bureau data. The model is extremely robust, validating well during recessionary and growth economies alike, and excelling in comparison to previous FICO® Score versions. Maintaining the trusted FICO Score blueprint FICO Score 10 T carries forward key features from prior versions, while introducing enhanced predictive characteristics with new reason codes.

How does FICO® Score 10 T offer continuity and stability for investors?

Trusted and used around the world FICO® Scores offer continuity and stability across global markets. As mortgage-backed securities (MBS) are part of these global markets, it makes sound business sense to use a credit scoring methodology that is universally accepted and understood by lenders, investors, and other stakeholders.

Securitizing mortgage loans with FICO® Scores promotes investor trust and market stability. With the FICO Score as the standard measure of consumer credit risk, the portfolios lenders securitize are universally comparable across lenders, driving market liquidity.



Can FICO® Score 10 T increase the value of a mortgage-backed security?

The value of the MBS depends on the attributes of its underlying mortgages. The FICO® Score is a key piece of intelligence for investors to properly and consistently value MBS and it informs investors whether they are making a sound investment. Leveraging FICO® Score 10 T, our most predictive credit score ever, can translate into fewer loan losses and more reliable cash flows. The more predictive the credit score is and the more that score is a standard of creditworthiness in the market, the easier it is for investors to evaluate and have confidence that their investments will produce the anticipated cash flows, which can increase the overall value of the MBS as an investment instrument.

Why update your buy-side guides to accept FICO® Score 10 T?

The improved predictive power of FICO® Score 10 T means investors are in a stronger position to more accurately model portfolio loan losses, pre-payments, and other behaviors. A stable and reliable cash flow model is critical in valuing mortgages on the secondary market, so accepting a more predictive credit score may mean lower pre-payment risks as well as fewer loan defaults and charge-offs. When investors update their buy guidelines to accept FICO Score 10 T, they can gain access to more powerful insights, and that increases confidence.

FICO® Score 10 T outperforms Classic FICO® Scores with these important features:

Integration of trended data

FICO® Score 10 T incorporates powerful trended data variables that capture consumer behavior dynamics and debt history reported for the previous 24 months, so it reflects a consumer's credit utilization over time, rather than at a single point in time.

Improved thin file treatment

FICO® Score 10 T addresses lenders' desire for more effective risk assessment for consumers with limited credit history, or "thin files."

Improved authorized user treatment

FICO® Score 10 T differentiates authorized users to place less emphasis on authorized user tradeline information, supporting a more refined assessment of the credit risk these accounts represent.

Improved collections treatment

FICO® Score 10 T differentiates unpaid medical from unpaid non-medical collection agency accounts to promote effective assessment of the credit risk these accounts represent. In addition, FICO Score 10 T ignores all paid collections.



Rental trade-line inclusion

FICO® Score 10 T includes rental trade lines when reported.

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Outperforms prior FICO® Scores for mortgage investors

Building off new data samples and refined variable weighting, FICO® Score 10 T provides predictive lift over all previous versions of the FICO® Score, with distributions consistent with prior models.

FICO® Score 10 T delivers a significant lift in the mortgage investor space, with up to a five-point gain in Kolmogorov-Smirnov (KS)* over the prior FICO® Score versions. This translates up to a 17% reduction in delinquency at a cutoff of ~680. As in the table below, FICO Score 10 T has enhanced performance for different mortgage types.

FICO® Score 10 T KS Comparisons, Originations

	KS FICO® Score 10 T	KS Gain Over Classic FICO® Score	Relative Increase in Approval Rate
All Mortgage	58.1	5.0	5%
Conventional Mortgage	59.0	6.4	4%
FHA Mortgage	36.1	6.2	26%
VA Mortgage	48.8	4.6	10%
Jumbo Mortgage	62.2	3.9	2%
HELOC	51.4	6.4	2%

* Kolmogorov-Smirnov (KS) is a measure of the maximum difference between the cumulative percentage of two groups of accounts (e.g., defaults & non-defaults) by FICO® Score.

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Potential Financial Benefits

When comparing FICO® Score versions, investors may find that the reduction in delinquencies with FICO® Score 10 T provides incremental cashflows to an investor's portfolio. Table 2 below is an example to illustrate the potential for incremental cash flows of a hypothetical billion-dollar portfolio.



	Cash flow using Classic FICO® Score	Cash flow using FICO® Score 10 T
Pool Balance (hypothetical)	\$1,000,000,000	
Amortization Term (months)	360	
Coupon	6%	
Delinquency Rate (monthly)	0.11%	0.09%
Prepayment Rate (monthly)	0.42%	
Cash flow		
Principal	\$90,857,169	\$92,060,470
Interest	\$40,621,048	\$41,354,524
Total Cashflow	\$131,478,217	\$133,414,995
Incremental Cashflow using FICO® Score 10 T instead of Classic FICO® Score	\$1,936,778	

Note: These numbers are for illustrative purposes; actual results will vary based on investor's portfolio

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Mortgage originations example

This example shows \$1,936,778 of potential incremental cash flow using FICO® Score 10 T versus Classic FICO® Score, taking into consideration the following assumptions:

- A hypothetical portfolio with a pool volume of one billion dollars with an original amortization of 360 months.
- Delinquency rates are based on a FICO® Score cutoff of 680.
- Principal and interest are calculated based on the hypothetical coupon, delinquency, and prepayment rates.

About FICO® Scores

The introduction of broad-based credit scores by FICO more than 35 years ago has transformed economic growth in the US and globally — making access to credit more efficient and objective while promoting the financial stability of lenders by enabling decisions that limit risk. FICO® Score 10 T is part of FICO's continued commitment to supporting this mission.

To find out more about how
your organization can benefit
from FICO® Score 10 T,
contact your FICO® Score
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