

## Trended Credit Data

*Giving Mortgage Lenders the Whole Story and Empowering Borrowers*

### Trended Credit Data: What It Is and How It Improves Risk Assessment

In the past, credit reports have provided only a moment-in-time credit snapshot: the outstanding balance plus whether or not a borrower has been delinquent on existing credit cards, mortgages, or student loans.

Trended credit data includes 24 months of a consumer's past balance, payment, and credit utilization history to provide a more detailed and accurate view of a consumer's actual credit behavior. The addition of this historical data provides a more dynamic, two-year picture of how an individual consumer manages revolving credit lines over time, enabling lenders to better predict future behavior and assess potential risk.

By looking at trended data, lenders are able to more easily differentiate between "transactors" (consumers who pay credit balances in full every month) and "revolvers" (consumers who make only the minimum required payment and carry a balance). Having access to data on longterm behavior allows lenders to definitively identify which category a potential borrower falls into, which in turn helps them assess creditworthiness more accurately.

### How Trended Data Will Empower Consumers

While Fannie Mae has not yet released specifics about how Desktop Underwriter® (DU) will interpret trended data as part of the AUS decisioning process, they have indicated that the updated DU risk assessment will benefit borrowers who regularly pay off their revolving debt. In addition – because it looks at trends – the new approach will enable borrowers to immediately improve their credit assessment by making higher payments on their credit cards.

While the overall percentage of loans that receive an "Approve/Eligible" recommendation is expected to remain relatively stable, the use of trended data in DU's risk assessment does have the potential to provide borrowers who are more creditworthy with greater access to mortgage credit.

It is important to note that, at this time, neither FICO or VantageScores incorporates trended data into their scoring system. Also, trended data will not be used for loans that are underwritten outside of DU.



## Comparison of Risk Assessment Associated with Revolving Credit Utilization

The introduction of trended data into the risk assessment will give mortgage lenders a more comprehensive and true-to-life picture of a borrower's creditworthiness. While DU Version 9.3 only assesses risk based on overall credit utilization, DU Version 10.0 will analyze trended data as part of the qualifying process. Incorporating the trended data will allow for a much more detailed evaluation of the borrower's ability to manage revolving credit card accounts over time:

- A borrower who uses revolving accounts conservatively (low revolving credit utilization and/or regular payoff of revolving balance) will be considered a lower risk.
- A borrower whose revolving credit utilization is high and/or who only makes the minimum monthly payment each month will be considered higher risk as it indicates the borrower may have trouble making payments in the future.

## Trended Data Timeline

FNMA's use of trended data begins the weekend of September 24th, 2016 with the release of DU 10.0.

The addition of trended data will have little effect on the appearance of the credit report. Each qualifying tradeline will simply be appended to include the trended credit data. New data fields (24 months) will include:

- Scheduled (\$): Monthly minimum payment required by creditor
- Actual (\$): Actual payment received as reported by creditor
- Balance (\$): Month-end account balance as reported by creditor

<u>CAPITAL BANK</u> 529115	Opened 04/09	Reported 07/16	Hi. Credit \$6500	Credit Limit \$6500	Reviewed 36 mos	30-59 0	60-89 0	90+ 0	Past Due -0-	Payment MIN X 10	Balance \$29	
	DLA 07/16	ECOA J	Source (J) XP/TU/EF	Revolving	AS AGREED							
Trended	07/16	06/16	05/16	04/16	03/16	02/16	01/16	12/15	11/15	10/15	09/15	08/15
Scheduled (\$)	10	10	10	10	10	10	10	10	10	10	10	10
Actual (\$)	29	75	100	50	150	25	200	150	175	50	125	75
Balance (\$)	29	50	75	100	50	150	25	200	150	175	50	125
	07/15	06/15	05/15	04/15	03/15	02/15	01/15	12/14	11/14	10/14	09/14	08/14
Scheduled (\$)	10	10	10	10	10	10	10	10	10	10	10	10
Actual (\$)	75	100	50	150	25	200	150	175	50	125	75	75
Balance (\$)	75	75	100	50	150	25	200	150	175	50	125	75

TransUnion and Equifax are the only repositories providing trended data at this time. Experian data may be added at a later date to be determined.

For more information, please visit [www.birchwoodcreditservices.com](http://www.birchwoodcreditservices.com), drop us an email at [sales@birchwoodcreditservices.com](mailto:sales@birchwoodcreditservices.com), or call any time between 8:30 AM and 7:00 PM ET to speak to a member of our expert, FCRA-certified staff.