



## Trended Credit Data FAQs

### What is trended credit data?

Currently, credit reports used in mortgage lending only indicate the outstanding balance and if a borrower has been on time, or delinquent, on existing credit accounts such as credit cards, mortgages or student loans.

Trended credit data provides an expanded, more granular, view of a consumer by leveraging 24 months of a consumer’s past balance, payment, and credit utilization history. It provides a more complete picture of a consumer’s credit behavior, supplementing the traditional moment-in-time credit snapshot with a more dynamic 2-year picture of a consumer’s history of managing revolving accounts. With 24 months of historical data (such as payment and balance), lenders may be able to determine how consumers have managed their revolving credit accounts over time, allowing them to better predict future behavior and assess potential risk.

For example, a consumer with a large credit card balance who pays in full every month (a “transactor”) likely has a higher level of creditworthiness than a consumer with a large credit card balance who only makes the minimum required payment (a “revolver”). Existing credit reports can’t always differentiate between these two types of consumers.

### Which repositories will be providing trended data?

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.

### When will FNMA start utilizing trended data in its findings?

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

### How will trended data appear on the credit report layout?

The appearance of the credit report will change very little. 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.

007 EEOA / WHOSE B / B		ACCT TYPE REV	REPORTED 03/16	HI CREDIT \$800	PAYMENT \$35	30 0	60 0	90+ 0	AS AGREED				
SOURCE XP/TU/EF		TERM MIN	OPENED 04/14	BALANCE \$350	PAST DUE \$0	-	-	-	MO REV 24	LAST LATE ---	DLA 03/16		
GEM/OOLD NAVY ACCT000008													
Trended	01/16	12/15	11/15	10/15	09/15	08/15	07/15	06/15	05/15	04/15	03/15	02/15	
Scheduled (\$)	35	25	25	25	25	25	25	25	25	25	25	24	24
Actual (\$)	50	25	25	25	25	25	25	25	25	25	25	24	24
Balance (\$)	417	229	115	113	61	39	62	59	82	80	59	0	0
	01/15	12/14	11/14	10/14	09/14	08/14	07/14	06/14	05/14	04/14	03/14	02/14	
Scheduled (\$)	25	25	25	25	25	25	25	25	25	25	-	-	-
Actual (\$)	25	50	50	100	50	50	25	25	25	25	-	-	-
Balance (\$)	47	70	100	170	200	230	265	275	290	300	-	-	-

## **How will trended credit data affect underwriting in DU 10.0?**

At this time, Fannie Mae has not yet indicated specifics as to how trended data will be interpreted by DU 10.0 as part of the AUS decisioning process. Fannie Mae has, however, provided the following general information relative to trended data:

- The updated DU 10.0 risk assessment will benefit borrowers who regularly pay off their revolving debt.
- Since DU 10.0 will look at a trend, borrowers can make immediate improvements to their credit assessment by making higher payments on their credit cards.
- Trended data will benefit borrowers who regularly pay off revolving debt, increasing the likelihood that they will receive an “Approve/Eligible” recommendation from DU.
- The overall percentage of loans that receive an “Approve/Eligible” recommendation is expected to remain relatively stable.
- Trended data **will not** be used for manual underwriting or loans underwritten outside of DU.
- For loans underwritten outside of DU, lenders **do not** need to consider trended data in the underwriting and eligibility criteria.
- For loan casefiles underwritten through DU, Fannie Mae **does not** expect lenders to analyze the trended data provided on the printed credit report.
- The process for ordering and re-issuing credit reports for use in DU does not change.

## **How will trended credit data affect underwriting in DU 10.0? (cont.)**

Additionally, Fannie Mae has provided a comparison of risk factors evaluated by DU 9.3 versus DU 10.0 for “revolving credit utilization”:

### **DU Version 9.3**

- The establishment, use, and amount of revolving credit a borrower has available are important. Generally, the lower the balances are on revolving credit as a percentage of the credit limit, the lower the risk. A borrower whose revolving credit utilization is high is considered a greater risk than someone who has a history of managing his or her credit card accounts more conservatively.

### **DU Version 10.0**

- The trended credit data will be used to evaluate the borrower’s ability to manage revolving credit card accounts. 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.

## **Will trended credit data impact FHA or VA loan casefiles underwritten by DU Version 10.0?**

No, trended data will not impact FHA or VA findings.

**Will loan casefiles created in DU Version 10.0 accept non trended credit reports which may have been pulled prior to the DU 10.0 conversion at the end of September?**

No, any credit reports which were ordered without trended credit data which users plan to eventually submit to DU should be submitted by the weekend of September 24<sup>th</sup>, 2016. DU 10.0 **will not** accept mortgage credit report without trended data.

**Will credit reports used for pre-close (FNMA LQI) include trended data?**

Yes, both Equifax and TransUnion are requiring trended data be included in pre-closing, soft inquiry, credit reports.

**Will Freddie Mac accept the new trended tri-merge data in Loan Prospector®?**

Freddie Mac LP will not accept trended credit data at this time, your platform provider (or their connection to FMAC) will be suppressing trended credit data elements prior to transmitting the credit report data to LP.

**Will the credit report ordering process change?**

No. The process of ordering credit reports will not change. Order requests will continue to be processed through your LOS or directly through the Birchwood website.

**Will trended data impact a consumer's credit score?**

No. At this time, neither FICO nor VantageScores incorporate trended data into their scoring system.

**Will a rescore impact trended credit data?**

No. Trended credit data is **NOT** used in the calculating mortgage industry credit scores (FICO and VantageScores) at this time. Changes/updates to trended credit data fields will not impact current mortgage credit scoring models

**Do the balances shown reflect the balance before or after the monthly payment?**

Trended credit data reflects the balance after the monthly payment was made as reported by the data furnisher for the applicable tradeline.

**LOS Systems and Human Readable Reports- Given the LOS systems have not been directly involved in the process to date, how will the LOS systems ensure consistent implementation and have readiness to handle trended credit data?**

Trended credit data elements have been added to the MISMO 3.4 reference model. However, end users (e.g., LOS providers, lenders) who need this data in their XML response files have not yet adopted the 3.4 model and need a standard way to accommodate this data in the MISMO 2.3.1 model. The MISMO organization is actively advancing an effort to put forth a recommendation to accommodate trended credit report data for users of the MISMO 2.3.1 reference model, we expect more information to be forthcoming.

## **Consumer Disputes: Once FNMA starts using the trended credit data as part of DU 10.0, how will consumer disputes be handled?**

The dispute process will have the capability to allow for payment history disputes. There will be more to come on this in upcoming updates. Once the dispute is received through the dispute process, TransUnion and Equifax will handle the dispute like any other dispute.

## **Why do some tradelines have the trended credit data but others do not?**

Trended Data is currently NOT being reported by 30% of all credit card companies, and not all data furnishers/creditors report every field.

Not all tradelines qualify. Trended Credit Data may **not** be present when the account type is:

- Authorized User Child/Family Support Collections
- Duplicate trade
- Insufficient Information to Score: File contains no trade, inquiry, collection or public record.
- Less than 6 months of history in an Open status.
- Lost/Stolen
- Masked trade data for certain narrative codes (bankruptcy, in dispute, medical, repossession, foreclosure, etc.)
- Months since reported > 24
- Public Records
- Subject Deceased
- System Reject – Model Delivery is Temporarily Unavailable

## **Will there be an additional cost associated with trended data?**

Yes, both Transunion and Equifax have indicated there will be additional data fees associated with trended credit data.