Frequently Asked Questions (FAQs)
FICO® Score 9 based on TransUnion Data

FICO® Score 9 based on TransUnion Data, formerly called FICO® Risk Score, Classic, is referenced as "FICO® Score X" with X representing the version number throughout this document.

Q1. What are the highlights regarding FICO® Score 9?

FICO® Score 9 outperforms all prior versions of the FICO® Score across all industries and lifecycles.

FICO® Score 9 is part of the normal model redevelopment cycle as FICO scientists look for trends that signal an opportunity to refine and increase the predictive power of this broad-based score to better support evolving market needs.

To keep pace with changes in credit grantor reporting, new financial products, consumer behavior, and economic conditions, the new FICO® Score was developed by evaluating data from a broad national sample population from consumer reporting agency (CRA) credit databases over a October 2011 to October 2013 timeframe—to build a score that reflects the current credit environment.

Q2. What are the main messages to Clients?

- Current: Grow your portfolios with more accurate credit risk scores with the FICO® Score that best captures today's consumer credit behavior.
- Compliant: Comply more easily and confidently with all relevant U.S. regulations using the most current, fully documented FICO® Score ever.
- Adaptive: Gain all the benefits of FICO innovations through compatibility with previous FICO® Score versions to ease adoption to the more current, more powerful FICO® Score.

Q3. What are some of the new refinements in FICO® Score 9 based on market research?

FICO® Score 9 was developed with an innovative, multi-faceted modeling approach allowing FICO to design a new score to address the nuances of today's credit granting environment. This methodology utilizes FICO® Model Builder's Multiple Goal Scorecard technology, a sophisticated modeling approach that balances different scoring objectives across different industries. These elements combined enabled us to build a score that is more predictive and is effective across a wide variety of product lines for a broad range of needs.

FICO® Score 9 has also addressed a specific market need regarding compatibility with prior versions of the FICO® Score to ease the adoption path. FICO® Score 9 supports marketplace compliance needs and continues to be fully compliant with all applicable government regulations.

Collections: FICO® Score 9 introduces a more sophisticated way to assess consumer collection information. FICO® Score 9 differentiates unpaid medical from unpaid non-medical collection agency accounts to support a more effective assessment of the true credit risk they represent.

In addition, FICO® Score 9 ignores all paid agency collections regardless of the amount. FICO research proved that risk prediction is improved with these changes.

Highly indebted – A new core system scorecard has been added that pertains to highly indebted consumers. These consumers are at a greater risk of filing for bankruptcy, and validations of FICO® Score 9 indicate that the new score is doing a better job of predicting bankruptcies as well as other forms of delinquency.

Thin files – FICO® Score 9 addresses credit grantors' desire for more effective risk assessment for consumers with limited credit history, or so-called thin files. Validation results demonstrate improved risk prediction for this segment of the population.

Q4. Why has the treatment of collections in the FICO® Score changed?

Given the increase in collections reporting over the past decade, FICO examined whether a revised treatment of collection references in the FICO® Score might yield a more predictive credit risk assessment system. The key findings of our extensive research were:

- Bypassing paid agency collections (modestly) improves predictive power.
- Bypassing medical collections would harm risk assessment (and thus is not part of our model).
- Differential treatment of medical collections vs. non-medical collections boosts risk assessment strength.

Q5. Are there new scorecards developed for FICO® Score 9?

The base FICO® Score 9 utilizes a similar segmentation as base FICO® Score 8. However, an additional scorecard has been included into to FICO® Score 9 to improve risk assessment on highly-indebted consumers.

Q6. What is the lift associated with the FICO® Score 9?

The specific predictive lift associated with FICO® Score 9 is dependent on the version of the FICO® Score the credit grantor is currently using as well as specifics regarding their portfolio and validation sample.

Q7. Is there backward compatibility to prior versions of the FICO® Score?

Yes. To simplify the process of adopting a newer, more powerful FICO® Score, there is backward compatibility with all prior versions. FICO® Score 9 is aligned to the same odds-to-score relationship as prior versions of the FICO® Score and has the same minimum score criteria, reason codes, and score range.

Providing backward compatibility with prior versions of the FICO® Score enables credit grantors to migrate to the new score with less effort. Credit grantors still need to conduct a validation of the new score to understand its performance in the context of their strategies, but modifications to credit grantor's subsystems, like adverse action letter generators, should be minimal.

Q8. What documentation will be delivered with FICO® Score 9?

The documentation is the same as prior versions of the FICO® Score. For example:

- Release Notes
- Odds Charts (formerly known as Validation Charts)
- User Guide (covers all versions of the FICO® Score)

Q9. What is FICO® Model Risk Management Methodology?

The FICO® Score employs leading model governance and development controls so models are aligned with today's applicable regulations and guidelines.

FICO's internal policies and procedures are developed to meet the risk management principles and supervisory expectations of the Office of the Comptroller of the Currency (OCC 2011-12) and the Federal Reserve (SR 11–7) Model Management Guidelines for development and validation of the models.

FICO's Model Methodology fully complies with Federal standards for governance and control mechanisms, including documented and audited processes with oversight from FICO's senior management. FICO stands behind the FICO® Score to fully meet the same standards with which our Clients must comply. As part of this compliance, FICO experts can help provide credit grantors with the best model validation techniques, adoption and consultation services.

Q10. What are Odds Charts (formerly known as Validation Charts)?

FICO® Score odds charts display the performance of consumers and their accounts represented in the national development sample. The odds charts are primarily used to demonstrate that the scores rank-order risk for a variety of industries, applications and performance outcomes. They may also be used as evidence of general performance expectations, and to compare portfolio performance to general industry performance. Examples of odds charts available for FICO® Score 9 include all industries, auto, bankcard, mortgage, and many other industries.

Q11. Will there be score distribution shifts?

Score distributions are expected to be similar to those experienced with prior versions of the FICO® Score. For example, while predictive improvement means some consumers' FICO® Score will change, the majority of consumers will have their FICO® Score 9 fall within 20 points of their FICO® Score 8, keeping the operational impact to credit grantors and consumers minimal.

Many thin files will score lower with FICO® Score 9 than they did on FICO® Score 8. These thin file score decreases are commensurate with their future repayment risk. As with any stronger predictive model, "good" consumers will likely see their score go up, while riskier customers are likely to experience a drop in score.

Q12. Will the relationship between risk and score remain consistent?

Yes. FICO® Score 9 is aligned to maintain the prior version's odds-to-score relationship (as measured on the newer development sample). Credit grantors should evaluate how the FICO® Score performs on their own portfolios to estimate risk and loss expectations.

Please note, the FICO® Score is not set to fixed odds or fixed PDO (points to double the odds). Therefore, credit grantors who track the FICO® Score and regularly adjust score cut-offs based on marginal risk (i.e. the expected bad rate at the cut-off) should not experience significant impact with the updated model.

Q13. Will cutoff scores need to be changed when migrating to FICO® Score 9?

FICO® Score 9 is aligned to maintain the prior version's odds-to-score relationship (as measured on the newer development sample). Credit grantors basing strategies on marginal risk (i.e., odds in the score range just above cutoff) may not need to change their cutoff strategies when migrating to FICO® Score 9.

- Credit grantors basing strategies on applicant or account volume may need to revisit cutoff scores.

- Changing cutoff scores changes the risk level associated with customers around the new cutoff.
- Because score distributions and odds-to-score relationship change over time, it is critical to monitor these statistics for portfolios over time, and adjust cutoff strategies accordingly.

Q14. What does the release of FICO® Score 9 mean for mortgage lenders?

FICO expects mortgage lenders, as well as Freddie Mac and Fannie Mae, to perform validations and detailed analysis to determine what the impacts will be on their business before they decide to move to FICO® Score 9 in order to benefit from all the enhancements and refinements made in the newest score.

FICO® Industry Scores Frequently Asked Questions (FAQs)

FICO® Auto Score 9 based on TransUnion Data
FICO® Bankcard Score 9 based on TransUnion Data

FICO® Auto Score 9 based on TransUnion Data formerly called FICO® Risk Score, Classic Auto 08 or EMPIRICA, is referenced as "FICO® Auto Score X" with X representing the version number throughout this document.

FICO® Bankcard Score 9 based on TransUnion Data formerly called FICO® Risk Score, Classic Bankcard 08 or EMPIRICA, is referenced as "FICO® Bankcard Score X" with X representing the version number throughout this document.

Q1. How will the FICO® Industry Scores compare to FICO® Score 9 as well as prior versions of the industry scores?

All of the innovations and enhancements made in FICO® Score 9 are also applied to the FICO® Industry Scores.

Q2. What has been done to make adoption of the new FICO® Industry Scores seamless for credit grantors who use prior versions?

To simplify the process of adopting a newer, more powerful FICO® Industry Score, there is backward compatibility with all prior versions. FICO® Auto Score 9 and FICO® Bankcard Score 9 are aligned to the same odds-to-score relationship as prior versions and have the same minimum score criteria, reason codes, and score range.

Providing backward compatibility with prior versions of the FICO® Industry Scores enables credit grantors to migrate to the new score with less effort. Credit grantors still need to conduct a validation of the new score to understand its performance in the context of their strategies, but modifications to credit grantor's subsystems, like adverse action letter generators, should be minimal.

Q3. Which industry scores will be part of the FICO® Score 9 Suite release?

The FICO® Bankcard Score 9 and FICO® Auto Score 9 are part of the FICO® Score 9 Suite release.

Q4. Will there be score distribution shifts from prior versions of FICO® Industry Scores?

Score distributions are expected to be similar to those experienced with prior versions of the FICO® Auto Score and FICO® Bankcard Score. For example, while predictive improvement means some consumers' FICO® Auto Score will change, the majority of consumers will have their FICO® Auto Score 9 fall within 20 points of their FICO® Auto Score 8, keeping the operational impact to credit grantors and consumers minimal.

As with any stronger predictive model, "good" consumers will likely see their score go up, while riskier customers are likely to experience a drop in score.

Q5. Will the FICO® Industry Scores cause any particular changes to score distributions vs. the FICO® Score?

Yes, FICO® Industry Scores may broaden the distribution given there is sharper separation of goods (moving up) and bads (moving down) for that industry performance. There are always more goods than bads, so the net is likely an upward shift.

Q6. Will cutoff scores need to be changed when migrating to FICO® Industry Scores 9?

FICO® Auto Score 9 and FICO® Bankcard Score 9 are aligned to maintain the prior version's odds-to-score relationship (as measured on the newer development sample). Credit grantors basing strategies on marginal risk (i.e., odds in the score range just above cutoff) may not need to change their cutoff strategies when migrating to the new scores.

- Credit grantors basing strategies on applicant or account volume may need to revisit cutoff scores.
- Changing cutoff scores changes the risk level associated with customers around the new cutoff.
- Because score distributions and odds-to-score relationship change over time, it is critical to monitor these statistics for portfolios over time, and adjust cutoff strategies accordingly.

Q7. Will the consumer score the same if I use the base FICO® Score and a FICO® Industry Score?

It is very unlikely the FICO® Score and corresponding FICO® Industry Score will have the same value for a consumer, as they are designed to predict a different type of performance; the former is predicting a broad performance of the consumer, while the latter is predicting performance associated with a specific type of account. U.S. consumers with a scorable file at the CRAs can now go to myFICO.com to access versions of the base FICO® Score as well as the FICO® Industry Scores.

Q8. Does the credit file have to have a trade line for the particular industry to receive a FICO® Industry Score?

No. The minimum scoring criteria for a FICO® Industry Score is the same as the corresponding FICO® Score base release.

For more information please contact FICO® Score Support: ScoreSupport@fico.com

