

The Credit Score is a number summarizing an individual's credit profile that indicates the likelihood that a Borrower will repay future obligations. Credit Scores are used to determine the Underwriting Score and Indicator Scores for Loan Prospector® and Non Loan Prospector Mortgages. The most common type of Credit Score is developed by FICO, a national credit scoring company, and is called a FICO Bureau score. The guidelines for using Credit Scores in underwriting are found in Chapter 37 of the *Single-Family Seller/Service Guide* (Guide).

Underwriting Scores

Definition: The **Underwriting Score** is the one Credit Score selected from all usable Credit Scores obtained for an individual borrower that quantifies the credit reputation risk for that individual borrower.

For mortgages assessed through Loan Prospector, the Underwriting Score for each borrower is used to derive an [Indicator Score](#) to represent the overall credit reputation risk for the transaction. The Underwriting Score is located in the Credit Report Information section of the Full Feedback Certificate.

If you are not using Loan Prospector, Freddie Mac requires the use of Credit Scores to underwrite Manually Underwritten Mortgages.

To identify the Underwriting Score for a Mortgage not assessed using Loan Prospector, you must first determine the number of usable Credit Scores, then use the middle/lower method to determine the Underwriting Score.

For a FICO score to be usable, it must be based on sufficient, accurate information. Too little information, or information that is significantly inaccurate, makes the FICO score unusable for Mortgage underwriting. This is important both to ensure that the FICO score is adequately indicative of a Borrower's credit reputation and to ensure fairness for Borrowers in using Credit Scores to evaluate their overall credit reputation. Once you've determined the credit scores are usable, the Underwriting Score is determined as follows:

- *If there are three usable Credit Scores, the middle score is the Underwriting Score*.*
- *If there are two usable Credit Scores, the lower score is the Underwriting Score.*
- *If there is only one usable Credit Score, that score is the Underwriting Score.*

Identifying the Underwriting Score				
Example	Score 1	Score 2	Score 3	Underwriting Score
Borrower 1	680	700	720	700
Borrower 2	640	660	Not usable	640
Borrower 3	670	Not usable	Not usable	670

* If there is a duplicate score, the Underwriting Score is the duplicate score.

For a Manually Underwritten Mortgage, you must use one of the three levels of review in the following chart depending on the risk indicated by the Borrower's FICO Score to assess the borrower's credit reputation, unless a cautious review is required under Sections 37.6 (a) and 37.6 (b).

Level of Review	Approach to Reviewing Credit	Property Type	FICO Score
Basic	Underwrite the file as required to confirm the Borrower has an acceptable credit reputation.	1-unit 2-unit 3- to 4-unit	over 660 over 680 over 700
Comprehensive	Underwrite all aspects of the Borrower's credit history to establish the Borrower has an acceptable credit reputation. The Seller must focus on risks identified in the reason codes that accompany Credit Scores. Credit Scores in the comprehensive review range should be viewed as an indication that the Borrower's credit reputation is uncertain.	1-unit 2-unit 3- to 4-unit	620 to 660 640 to 680 660 to 700
Cautious	Perform a particularly detailed review of all aspects of the Borrower's credit history to ensure that you have satisfactorily established the Borrower's willingness to repay and ability to manage obligations as agreed. Unless there are extenuating circumstances documented in accordance with Guide Section 37.7 or major factors related to credit reputation that offset the risk indicated; a Credit Score in this range should be viewed as a strong indication that the borrower does not have an acceptable credit reputation.	1-unit 2-unit 3- to 4-unit	See below* 620 to 640 620 to 660

* Effective on or after **March 1, 2009**, for Borrowers with a usable Credit Score, a minimum Indicator Score of 620 is required. Refer to Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements, for minimum Indicator Score requirements.

Indicator Scores

Definition: The **Indicator Score** is the one Underwriting Score identified to represent the eligibility of the mortgage for the product offering.

Freddie Mac may require that one Credit Score be identified and delivered for a Mortgage for reasons such as eligibility or pricing. When one Credit Score is required, the Credit Score is referred to as the "Indicator Score". For Mortgages requiring an Indicator Score, refer to Guide Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

If an Indicator Score is required, and no Borrower has a usable Credit Score, there can be no Indicator Score for the Mortgage and it is not eligible for sale to Freddie Mac (for exceptions, refer to Guide Section 37.5). If no Borrower has a usable Credit Score and an Indicator Score is not required for the Mortgage to be eligible, refer to Guide Section 37.5 (f) for special delivery requirements.

An Indicator Score does not indicate that the Borrower's credit reputation is acceptable. Even when the Indicator Score exceeds the minimum requirement, you (or the Seller) must determine that each borrower individually, and all borrowers collectively, have an acceptable credit reputation.

For mortgages assessed through Loan Prospector, the Indicator Score represents the one Underwriting Score selected by Loan Prospector to represent the overall credit reputation risk for the transaction. The Indicator Score is located in the Credit Report Information section of the Full Feedback Certificate.

Non-Loan Prospector Mortgages require delivery of an Indicator Score and the Indicator Score selection method to calculate postsettlement delivery fees. Refer to Guide Exhibit 19, Postsettlement Delivery Fees, to determine delivery fees.

When a Minimum Indicator Score is required, you (or the Seller) must:

- Note the Underwriting Scores, the Indicator Score, and how they were identified, on the Form 1077, Uniform Underwriting and Transmittal Summary, or another similar document in the mortgage file
- Retain the source documentation for the Indicator Score in the mortgage file
- Deliver the Indicator Score in the credit score value (CSV) field and a credit score type (CST) on Form 11, or Form 13SF, as applicable

Freddie Mac’s recommended method for determining the Indicator Score is the middle/lower then lowest method. To find the Indicator Score using this method, you must first determine the Underwriting Score for each borrower. Refer to the instructions for identifying the Underwriting Score described in this quick reference, or Chapter 37 of the Guide. Once you have identified the Underwriting Scores for each borrower, select the lowest Underwriting Score across all borrowers. This score is the Indicator Score for the transaction. The table below provides an example of selecting the Indicator Score from the range of usable Underwriting Scores:

Identifying an Indicator Score Using the Middle/Lower then Lowest Method		
Borrower 1 - Underwriting Score	Borrower 2 - Underwriting Score	Borrower 3 - Underwriting Score
700	640	670
The Indicator Score for the mortgage is 640		

There are two additional methods (middle/lower then average and average/average), which are explained in Chapter 37 of the Guide. Postsettlement delivery fee rates will be adjusted if a method other than the middle/lower then lowest method is used.