



Economic Impact of FHFA's Decision to Accept VantageScore 4.0

Executive Summary

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16 March 2026

This study was commissioned and funded by VantageScore Solutions, LLC. All modelling decisions, assumptions, and conclusions are those of the authors.

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On July 8, 2025, the Federal Housing Finance Agency (FHFA) announced that Fannie Mae and Freddie Mac will accept mortgages originated using the VantageScore 4.0 credit score. This decision introduces direct competition into the GSE-conforming mortgage credit score market for the first time, allowing lenders to choose between: The results demonstrate that the FHFA's introduction of credit score competition produces durable, measurable, and robust economic benefits for lenders and the broader mortgage ecosystem. Every plausible scenario examined in this analysis resulted in significant cost savings.

- VantageScore 4.0
- FICO Classic (legacy model, to be replaced) and FICO 10T (the replacement model)

This study evaluates the economic consequences of that competitive shift, specifically focusing on the impact to credit score costs that are ultimately borne by the mortgage industry.

Evaluation of Credit Score Cost Savings

Assuming full adoption of VantageScore 4.0 for a first year spanning 2026 and 2027, the potential cost savings from the FHFA decision can be evaluated as follows:

Estimated savings in 1st year — assuming 100% lender conversion		
	2026	2027
Expected Mortgage Originations	5,801,000	5,741,000
Expected Number of Scores Pulled	87,450,000	85,925,926
FICO Price per Score	\$10.00	\$13.50
Av. VantageScore Price per Score	\$1.00	\$1.00
Cost Savings per Score	\$9.00	\$12.50
Total Cost Savings	\$787,050,000	\$1,074,074,074
		\$930,562,037
Cost savings with 7/1/2026 switch date		

Sources: MBA Jan 2026 Forecast; estimated from consensus of analyst FICO revenues, MBA originations forecast, and published FICO pricing; FICO and credit bureau press releases.

Economic Simulation Evaluation

To evaluate the economic implications of various scenarios and assumptions over a 6-year horizon (2027–2032), the authors developed economic models based on three internally-developed pricing scenarios. These scenarios serve as a framework for others to model their own assumptions rather than a formal forecast, as the authors possess no specific insight into future pricing strategies.

1. Price Escalation Scenario

FICO prices increase at 19% annually, consistent with equity analyst expectations, while VantageScore pricing remains unchanged.

2. Static Pricing Scenario

Credit score prices remain at published 2026 levels.

3. Price Adoption Equilibrium (PAE) Scenario

FICO pricing adjusts in response to market competition based on economic modelling of price/adoption equilibrium (PAE), while VantageScore pricing remains unchanged.

Summary of Results by Incumbent Pricing Scenario

10th–90th percentile ranges across 25 risk-premium parameterizations. Non-GSE and total figures assume equivalent pricing and adoption assumptions applied to the remaining ~63% of mortgage origination volume.

	Price Escalation	Static Pricing	PAE Equilibrium
Scenario Description	Incumbent raises prices 19% CAGR	Holds price steady at \$10.00 (\$30/TMP)	Reprices to PAE equilibrium at \$3.59 (~\$11/TMP)
FICO : VantageScore market share by end of 2032	0–1% : 99–100%	3–15% : 85–97%	71–91% : 9–29%
Per-loan savings	\$130 – \$135	\$115 – \$132	\$92 – \$122
Total cost savings 2027–2032, GSE loans	\$1.6B – \$1.7B	\$1.4B – \$1.6B	\$1.2B – \$1.7B
Total cost savings 2027–2032, non-GSE loans	\$2.6B – \$2.9B	\$2.4B – \$2.8B	\$2.1B – \$2.8B
Total cost savings 2027–2032, all mortgages	\$4.2B – \$4.5B	\$3.9B – \$4.4B	\$3.4B – \$4.5B

Scope, Assumptions and Limitations

The study's analysis considered an array of plausible factors and included wide ranges around key sensitivities.

Factors incorporated into modelling include:

- **Switching cost.** Switching costs vary by institution, ranging from approximately \$50,000 for smaller lenders to \$1,000,000 for complex operations. Accounting for the corresponding difference in origination volume, this translates to per-TMP switching friction of approximately \$0.80 to \$2.01. The analysis uses the upper bound purely for conservatism.
- **Lender risk premia.** The model accounts for the full spectrum of lender behavior, from early adopters to the most risk-averse institutions.
- **Competitive pricing response.** The model solves for the price FICO would charge once it faces a credible lower-priced competitor—the price that maximizes its revenue given the risk of losing customers. This equilibrium price is always below FICO's current \$10 per score (\$30/TMP), regardless of assumptions

about lender conservatism.

- **Adoption over time.** Lenders do not switch instantly. The model reflects realistic institutional decision cycles producing a gradual build in adoption over 2027–2032. Once a lender has switched, it would not revert unless FICO lowered its price below VantageScore.
- **Two sources of savings.** Direct substitution (lenders switching to VantageScore) and price compression (FICO reducing price to defend share) are both tracked.
- **Range of outcomes.** Figures reported are ranges covering the spectrum from the most cautious lending environment to the most competitive.

Key assumptions across models and scenarios:

- VantageScore pricing held constant at \$1.00/score; competitive responses by VantageScore not modeled.
- FICO pricing based on the standard per-score price, not the alternative model with a closing fee.
- Three pulls not required for prequalification; per-score

fees assumed identical across pull types.

- FICO prices its 10T model the same as its legacy model.
- Functional interchangeability for mortgage underwriting assumed.
- Risk-premium inputs are calibrated, not estimated from transaction-level data.
- Potential secondary effects (expanded credit eligibility, mortgage insurance impacts, interest rate compression) not included, likely understating total economic benefit.

Factors not explored, but worthy of future study:

- New credit score models that can score a larger population could enable homeownership for borrowers the incumbent is incapable of scoring.
- More accurate risk evaluation could benefit qualifying borrowers with better pricing and reduce losses for lenders, taxpayers, and investors in mortgage-backed

securities.

- Impacts on other industry participants, including mortgage insurers, from improved pricing and reduced losses.

Summary

FHFA's acceptance of VantageScore 4.0 introduces meaningful price competition across the mortgage credit scoring market.

Within the frameworks examined we see:

- Savings are positive under every modeled assumption.
- Competitive pressure constrains either pricing or market share under every modeled scenario.
- Per-loan cost reductions are economically material.
- Upwards of billions of dollars in cumulative industry savings.

About the Authors

Dr. Joseph L. Breeden **CEO, Deep Future Analytics LLC**

Dr. Breeden has been designing solutions for lenders since 1996. He founded Deep Future Analytics in 2011, focusing on portfolio and loan-level forecasting solutions for pricing, account management, CCAR, and CECL/IFRS 9. In 2026 he founded CALM XAI to create explainable and governable language models for business. He has served as President of the Model Risk Managers' International Association (mrmia.org) since 2020. Dr. Breeden holds a Ph.D. in physics (chaos theory and machine learning) and has published over 100 academic articles, 9 books, and 24 patents. He is on the Board of Directors for Upgrade (San Francisco FinTech), GARP's AI Advisory Board, and the editorial boards of the *Journal of Credit Risk*, the *Journal of Risk Model Validation*, the *Journal of Risk and Financial Management*, and *AI and Ethics*.

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Charles Maner has over 30 years of experience in the development, usage, and assessment of retail and commercial risk models spanning the entire credit life cycle: underwriting, credit loss estimation, collection prioritization, asset recovery estimation, and real estate valuation. Charles has held senior leadership in credit risk at Bank of America, BB&T, and most recently Truist Financial Corp., where he served as Head of Model Development for Retail Credit Risk.

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<https://www.deepfutureanalytics.com/en/blog/economic-benefits-of-score-market-competition>