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FICO 10T and VantageScore 4.0

This guide explains each model, how they differ, and what trending data means for both lenders and borrowers.

FICO® 10T and VantageScore® 4.0

A Comprehensive Guide by The Housing Assistant

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Introduction

Credit scores play a pivotal role in mortgage qualification, rate pricing, and loan approval. With the introduction of FICO® Score 10T and VantageScore® 4.0, lenders now have more predictive models that incorporate trended data, alternative data, and advanced analytics. This guide explains each model, how they differ, and what trended data means for both lenders and borrowers.

1. FICO® Score 10T

FICO 10T is the most advanced score ever released by FICO. It incorporates trended credit bureau data, allowing lenders to evaluate a borrower's debt behavior over a 24+ month period. This includes patterns in balances, credit utilization, and payment amounts. It is more predictive than FICO 9 and places greater scrutiny on personal loans used to consolidate revolving debt.

Key Features:

- Uses trended data to identify long-term credit behavior
- Penalizes revolving debt consolidation into personal loans
- Improves accuracy in risk assessment by up to 10%
- Not all lenders have adopted it yet

2. VantageScore® 4.0

VantageScore 4.0 is a tri-bureau model that incorporates trended data and machine learning to assess risk, especially for consumers with limited credit history. It was also the first model to include rent, utility, and telecom payments, offering broader access to credit scoring.

Key Features:

- Uses 24 months of trended data
- Includes rental, utility, and telecom data (if reported)
- Ignores paid medical collections under $500

- More inclusive of thin or limited credit files

3. What is Trended Data?

Trended Data is a 24-month historical record of a borrower's:

- Monthly balances
- Payment amounts
- Minimum payments due
- Credit utilization trends
- Payment behavior patterns (e.g., revolver vs. transactor)

Unlike traditional models that only look at current balances, trended data answers:

"Are you paying down debt over time, or gradually accumulating more?"

Example:

Month	Credit Card Balance	Minimum Payment	Actual Payment
Jan 2023	$2,000	$50	$200
Feb 2023	$1,800	$45	$250
Jan 2024	$1,100	$30	$500

This history shows:

- Steady balance reduction
- Payments above minimums
- Low risk trends

Why It Matters:
Lenders can see if a borrower regularly carries balances or pays down debt, giving a much clearer picture of credit behavior.

📈 Trended Data vs. Static Data

- Static Balance (single point)
- Trended Data (24-month balance trajectory)

✅ Static Data:

- Credit utilization = 30%
- No insight into whether balances are rising or falling

✅ Trended Data:

- Shows rising utilization from 10% to 30%
- May signal increasing financial stress

📝 Why These Models Matter

For Mortgage Lending:

- Borrowers with steady payment history may benefit.
- Borrowers consolidating debt or accumulating balances may see score reductions.
- Lenders using newer models can more accurately assess repayment risk.

For Consumers:

- Consistently paying more than the minimum improves scores.
- Large month-to-month swings in balances can hurt predictiveness.
- Paid collections have less impact.

4. Alternative Data in Scoring

One of the most innovative changes in VantageScore 4.0 is the integration of non-traditional payment data, such as rent, utility, and telecom bills, if they are reported to the credit bureaus. FICO 10T does not include this data unless a lender uses an optional product like FICO XD.

Key Differences:

- VantageScore 4.0 includes reported rent, utilities, and telecom by default
- FICO 10T does not include these unless bundled with optional products
- Consumers with limited credit benefit more from VantageScore's alternative data usage

5. Summary Comparison

Feature	FICO® 10T	VantageScore® 4.0
Release Year	2020	2017
Trended Data	Yes	Yes
Personal Loan Impact	Higher	Moderate
Machine Learning	Limited	Advanced, thin file optimized
Paid Collections	Ignored	Medical <$500 ignored
Alternative Data	Separate product (FICO XD)	Included if reported