

## 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 strongly recommends 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. The guidelines for using Credit Scores in underwriting are found in Chapter 37 of the *Single-Family Seller/Service Guide*.

- *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.*

Borrower	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 two of the usable Credit Scores are identical, the Underwriting Score is the identical score.

If you elect to use Credit Scores, instead of Loan Prospector, to evaluate the borrower's credit reputation, you should use one of the three recommended levels of review in the following chart depending on the risk indicated by each borrower's Underwriting Score.

Note: Vertical revision bars "|" are used in the margin of this quick reference to highlight new requirements and significant changes

Level of Underwriting	Recommended Approach to Reviewing Credit	Property Type	Credit Score
<b>Basic</b>	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
<b>Comprehensive</b>	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.  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
<b>Cautious</b>	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 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	less than 620 less than 640 less than 660

## Indicator Scores

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

Some product offerings require delivery of a minimum Indicator Score for the mortgage to be eligible for sale to Freddie Mac. In addition, for mortgages assessed through Loan Prospector, the Indicator Score also 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.

In most cases, a minimum Indicator Score is not required for Accept Mortgages and A-minus Mortgages since Loan Prospector has made the determination that the Borrower's credit reputation and the mortgage product are acceptable. However, all Non-Loan Prospector Mortgages require delivery of an Indicator Score and the Indicator Score selection method to calculate postsettlement delivery fees. If no borrower has a usable Credit Score, and an Indicator Score is required for the mortgage to be eligible for the product offering, then the Mortgage is not eligible for delivery. Refer to Exhibit 25 for product offerings that require a minimum Indicator Score.

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.

**Important:** 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.

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
<b>The Indicator Score for the mortgage is 640</b>		

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

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