



Tri-Merge Credit Reports in Mortgage

The gold standard in approvals and risk management



Andrew Davidson & Co., Inc. (AD&Co) has analyzed the potential impact on the mortgage ecosystem of changing the credit score tri-merge standard to a bi-merge or a single-score standard. The study, titled "The Impact of Moving Away from the Tri-Merge Standard," examines a unique data set of VantageScore 4.0 credit scores of a very broad range of consumers constructed from data provided by the Nationwide Consumer Reporting Agencies (NCRAs).

Key Insight:

Credit score uncertainty and mortgage pricing differences increase under a single or bi-merge compared to using the traditional tri-merge standard, which utilizes the median (middle) of three scores.

The Reality of Score Discrepancies

When comparing a single bureau score to the traditional tri-merge standard of 245 million scored consumers in the study

Missing **one bureau's data** can affect over 1/3 of applicants by at least 10+ points

10+
points

35%

of consumers had a score that differed by at least **10 points**.

18%

of consumers had a score that differed by at least **20 points**.

7%

of consumers had a score that differed by **40 or more points**.

Key Insights:

For borrowers in the 640-779 credit range,

A 20-point difference guarantees a shift into a higher or lower GSE pricing bucket (based on current LLPAs).

~25%

of consumers in the 600-639 range had at least one score differing from the tri-merge standard by 20+ points.

On a

\$350,000 GSE Loan

moving between consecutive pricing bins changes the combined cost of borrowing and mortgage insurance by \$3,000 to \$5,000 in present value over the life of the loan.

The Threat of "Score Shopping"

A non-tri-merge landscape creates opportunities for score shopping, where originators or consumers pick the single score that produces their desired lending outcome.

Key Insights:

11% of consumers in the 640-779 range
~9% of all consumers

Could artificially **inflate** their purported credit score by **20 or more points** compared to the tri-merge standard.

Allowing lenders to "pick" the best score dilutes the overall risk performance which could lead to higher approval thresholds for everyone

The 700 Threshold Myth

Establishing a cutoff rule does not eliminate meaningful discrepancies.

Key Insights:

Nearly **8%** of consumers in the 660-679 range
4% in the 640-659 range

Have a **maximum single score of 700+**, which would inappropriately bypass the tri-merge requirement under this proposed hybrid rule.

Overall Takeaway:

The tri-merge standard provides a more-complete picture:

- **Captures** the Fullest Risk Profile Available
- **Ensures** Fair and Accurate Loan Pricing
- **Prevents** Score Manipulation and Stabilizes the Market

Moving to a single score or to a bi-merge approach increases the uncertainty in assessing borrower risk, with direct implications for loan pricing and underwriting outcomes; this uncertainty is greater for underserved populations and lower-scoring borrowers.

Download the full white paper, "**The Impact of Moving Away from the Tri-Merge Standard**" at ad-co.com/models

