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# Fixing what isn't broken:

Why moving to a single-bureau credit report in mortgage underwriting is misguided and expensive

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October 20, 2025

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# Contents

|                                                                    |    |
|--------------------------------------------------------------------|----|
| About the author .....                                             | 3  |
| Key points.....                                                    | 4  |
| Introduction .....                                                 | 4  |
| Who dictates the rules? .....                                      | 5  |
| Lenders                                                            |    |
| Government agencies                                                |    |
| Government sponsored enterprises (GSEs)                            |    |
| Mortgage insurers                                                  |    |
| Investors                                                          |    |
| Third party information providers                                  |    |
| The three C's of underwriting .....                                | 7  |
| What is a tri-merge report?.....                                   | 7  |
| Credit report costs today.....                                     | 8  |
| NCRA's – how different are they? .....                             | 8  |
| Credit scores and mortgage pricing.....                            | 9  |
| How would a single bureau report system be used in practice? ..... | 10 |
| Fallout – the real issue .....                                     | 13 |
| Pricing and competitive issues in a single-bureau setting .....    | 14 |
| Market effects of moving from 3 to 1 .....                         | 14 |
| Concluding thoughts .....                                          | 16 |

## About the author

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A polished and engaging presenter, Dr. Cutts is a sought-after speaker and panelist. She is a frequent guest on the Third Bridge Consumer Credit Forums, and Equifax and RiskSpan webinars. Often quoted in national print and broadcast media, she has also published numerous studies in academic journals and books on such topics as the economics of subprime lending, the impact of technology on foreclosure prevention, and the drivers of strategic mortgage default. In 2015 and again in 2024 she won the Pulsenomics® Crystal Ball Award for Outstanding Performance in the Fannie Mae (formerly Zillow) Home Price Expectations Survey for her forecast accuracy and is a participant in the *Wall Street Journal's* Survey of Leading Economists and the *Blue Chip Economic Indicators*® survey panel.

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Note: The author would like to thank Equifax for providing financial support for this paper. The opinions expressed are my own, and do not necessarily reflect the views of the funder.

Several leaders in the mortgage industry have called into question the value of continuing to use tri-merge credit reports that draw information from the three nationwide credit bureaus, alleging there is little difference between the three bureaus so a single bureau report would suffice and doing so would significantly reduce the closing cost burden on homebuyers. I believe this to be misguided and will ultimately prove expensive to both consumers and lenders.

#### Key points:

- In fact, credit report costs in home purchase transactions are low relative to other closing costs — about 1% of total closing costs or 2 basis points of the loan amount on average. Credit report fees range from about \$40 to \$240 on originated home purchase loans.
- There are material differences in the credit information reported by Equifax, TransUnion, and Experian. These differences result in an average FICO® score differential of 29 points on originated mortgage loans, and the differential widens as the credit score bin decreases.
- The loan-level price adjustments charged as a percent of the loan amount by Fannie Mae and Freddie Mac can jump as much as 0.625% if a borrower's decision credit score falls into a lower score bin. Thus, choosing the wrong single-bureau report can be very costly for the borrower.
- Lenders complain about the costs of credit reports but do not typically take advantage of options currently available to mitigate this burden. Their real concern is not the burden on borrowers but rather uncompensated fallout costs on home purchase applications. Credit report expenses on home purchase loan applications that did not result in an origination totaled between an estimated \$110 and \$225 million in both 2023 and 2024.
- Investors in mortgage-backed securities will demand higher compensation for the higher risk that stems from less reliable information that comes from a single bureau report. These costs are likely to raise interest rates by 0.125% for every 20 points the score distribution shifts upward as a result of lenders cherry picking the reporting bureau, dwarfing any potential savings to the borrower from a single bureau report.



Credit report costs  
in home purchase  
transactions  
represent about  
**1%** of total  
closing costs.

#### Introduction

Homebuyers in the United States enjoy the lowest cost and most easily obtained mortgage financing in the world. This financing system is built on a network of trust that enables an investor in say, Dublin, Ireland, to help finance a first-time homebuyer in Dublin, Ohio. They will never meet, nor know each other's name. And yet, that investor is willing to provide financing to that borrower at a relatively small margin over what the US government pays on its 10-year Treasury bond, which is generally considered the safest asset in the world from a default risk standpoint.

Due to technological change over time, the organic evolution of consumer credit reporting, and forward thinking by Congress starting in the 1930s, mortgage financing has evolved into a miraculous machinery of institutions that derive value from brokering trust and stability.

The process for buying a home with a mortgage has changed dramatically since “artificial intelligence” was first applied to mortgage underwriting in 1995.<sup>1</sup> And yet much is the same as it was then. This inevitably leads to questions of whether we, as an industry, should keep doing things the same way if so much has changed.

In particular, in 2025, several prominent leaders in the mortgage industry questioned the value of continuing to use a combined credit report that draws



information from the three nationwide credit bureaus. This report is known as a tri-merge report. The arguments that back this idea are that since Experian, Equifax, and TransUnion are *national* credit bureaus, one is as good as another, and that the costs of these reports are too much, keeping too many potential homebuyers from realizing their dream of homeownership.

This study investigates how we got here, who the interested parties are, and why the tri-merge report remains an important and necessary component in supporting low-cost mortgage financing.

### Who dictates the rules?

First, a bit of background. There are several key players in the US mortgage finance system, each playing an important role in ensuring broad access to low cost, highly efficient mortgages. Collectively, their policies and procedures dictate how the market functions.

**Lenders:** These institutions include banks, credit unions, and other depository institutions that fund mortgage loans out of deposits, and mortgage companies who source their money from capital markets. Lenders are *primary market* institutions that lend directly to consumers. Some lenders retain mortgage assets in their portfolios but more often they will sell these assets on the *secondary market* to free up capital to lend again. It is in their interest to supply mortgages with standardized characteristics that buyers of these assets want to see.

Lenders earn money by charging fees to originate the loans. These fees are paid by the borrowers at mortgage closing.

**Government agencies:** There are several government agencies that support mortgage financing through the primary market and together they back about 20-25% of all outstanding mortgages.<sup>2</sup> These are the direct loan programs through the Federal Housing Administration (FHA), the Veterans Administration (VA), and the US Dept of Agriculture's (USDA) Rural Housing Service and Farm Service Agency. They offer special terms for qualified borrowers that are sometimes more attractive than privately funded loans or for circumstances not usually desired by private lenders. Private lending institutions supply these government loans to consumers along with their own offerings.

**Government sponsored enterprises (GSEs):** These are special entities designed to support mortgage finance through the *secondary market* — they buy loans from lenders, so the lenders have new money to lend.

The term GSE applies generally to Congressionally chartered institutions: the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), the Government National Mortgage Association (Ginnie Mae) and the twelve Federal Home Loan Banks (FHLBs). However, it is often commonly applied specifically to mean just Freddie Mac and Fannie Mae, and for the remainder of this discussion we will mean these two entities when we use the term GSEs.

As their main business line, Freddie Mac and Fannie Mae buy private, non-government program loans from lenders, bundle them into large bonds called mortgage-backed securities (MBS), and add a guarantee to investors in the MBS that the investor will get their principal investment back if the mortgage borrower defaults.<sup>3</sup> Together these two companies fund roughly 50-55% of all mortgages.<sup>4</sup> Due to both the requirements under their Congressional charters and the guarantees that they offer to investors, Freddie Mac and Fannie Mae set the underwriting standards for loans that they will buy and, due to their size, they essentially set the standards for the majority of conventional (non-government backed) mortgages including those that they do not buy.



Together, Freddie Mac and Fannie Mae fund roughly  
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of all mortgages.

Ginnie Mae buys FHA, VA, and USDA loans from lenders and also bundles them into MBS, however the investor guarantee comes from the agency backing the loan, so GNMA does not add a guarantee, nor does it set program standards.

Fannie Mae and Freddie Mac charge a fee for the guarantee they offer investors, known as the g-fee, that is part of the interest rate paid by borrowers and they also charge upfront fees at loan closing for certain risks. These upfront fees are known as loan-level price adjustments (LLPAs). Borrowers can roll this into their monthly payment instead of paying them in a lump sum at closing, but the interest rate will adjust upwards accordingly. These fees vary with the loan product, loan purpose, loan-to-value ratio, and the borrower's credit score that is used to approve the loan.

**Mortgage insurers:** Under the charters for Freddie Mac and Fannie Mae, loans that they purchase from lenders that have a total loan-to-value ratio of more than 80% must carry mortgage insurance issued by an approved private mortgage insurer (MI). MIs underwrite and price their insurance based on characteristics of the loan and mortgage borrowers and thus, like the GSEs, they set standards for the industry through their policies.

**Investors:** Investors in MBS come from around the globe. They include insurance companies, banks and other financial institutions, mutual funds, individuals, central banks like the Federal Reserve, and sovereign funds. Investors evaluate the characteristics of the loans that make up an MBS, and they depend on the policies of the GSEs, the credibility of their compliance and underwriting, and the accuracy of the information provided on the loans to confidently and competitively bid on these bonds.

**Third party information providers:** These companies supply the mortgage industry with independently verified information on the consumer's credit worthiness, identity, employment status, and income, the property's value and condition, and the property title history, etc. at the time of origination. More commonly we know these providers as credit bureaus, appraisers, and title companies.

Consumer reporting agencies (CRAs), the formal name for credit bureaus, are defined by the Fair Credit Reporting Act (FCRA) to mean any provider of consumer report information that is to be used for informing a credit decision.<sup>5</sup> The FCRA further distinguishes between general CRAs and *nationwide* CRAs (NCRAs), with the latter meaning a CRA that collects general consumer credit account information and public records information on a nationwide basis as their normal course of business. There are three companies that are NCRAs: Equifax, TransUnion, and Experian.

NCRAs, in essence, provide the information to the key players in the mortgage industry to help assess the character and identity of the prospective borrower. They do this by collecting information on how the borrower has paid their debt obligations in the past and the current debt load they are carrying, among other information. This information is voluntarily supplied by lenders — there is no law that says lenders must report to any or all NCRAs. Being a reporter imposes compliance and fulfillment costs on the lender and if they report, they must report the full account data on all borrowers they service. This means all the positive payment information in addition to the negative on every contributed account.

The benefit lenders collectively receive from engaging in credit reporting is a better, more accurate record of a borrower's financial situation and creditworthiness. For any one lender to do this voluntarily rather than ride the coattails of other reporters there must be incentives. The GSEs and government agencies require mortgage servicers who do business with them to report all loans they service to the NCRAs. However, they hold no sway over an auto lender or personal loan finance company.



CRA's that are not NCRAs come in many forms and include resellers of data sourced from NCRAs. For the remainder of this study the term CRA denotes a reseller of NCRA data that provides tri-merge credit reports to mortgage lenders.

### The three C's of underwriting

Credit reports have long been used to verify information supplied by mortgage loan applicants on the debts they owe. They serve two purposes. The first is to ensure that the borrower has the *capacity* to carry the new debt they are applying for — the sum of all debts and their required monthly payments against current income (known as the debt-to-income ratio) is how capacity is measured. The second is to demonstrate how they have handled past obligations, a strong indicator of how they will handle future obligations. This is their measure of *creditworthiness*.

The *collateral* used in underwriting measured by is the loan-to-value ratio which is calculated as the lesser of the property sales price and the appraised price against the downpayment made by the borrower. These three factors determine whether a loan is approved and at what price.

Importantly, these three factors are in play not only at the point of the approval decision, but through the loan closing, and for conventional loans being sold to a GSE, all the way until the loan is delivered to either Freddie Mac or Fannie Mae. The penalty for a loan not meeting the GSE standards is at best a delayed closing and at worst either a loan that doesn't close or a forced repurchase of the loan by the lender, at face or "par" value at some future date, typically after the borrower has a delinquency and the market value of the loan has plummeted.

A common way in which problems occur are that the mortgage applicant opens a new credit line, like buying a new car with an auto loan, after they have submitted their mortgage application and the underwriting credit report is drawn but before the mortgage closing. In their mind they can afford it, but to the mortgage lender, this is an undisclosed debt that could put the borrower's debt-to-income ratio over the limit or lower their credit score below a critical threshold. Their loan may no longer be eligible for sale to a GSE and could prove to be very expensive for the lender to fund.

### What is a tri-merge report?

For every consumer with a credit report at an NCRA, there is an itemized listing of all active tradeline accounts and inactive accounts that closed within the last seven years, the payment histories on those accounts along with notations for special circumstances that might apply to an account at a particular time. Public records data is also contained in the report listing things like bankruptcy filings. Credit scores are generated by the NCRAs under license with FICO® or VantageScore® using the information in the report.

The mortgage industry is undergoing a change with respect to which credit scores are used in underwriting and pricing. Historically, one specific model version of FICO® score has been used by the GSEs, commonly known as FICO® Classic. In 2022, FICO® Score 10T and VantageScore® 4.0 were approved for future use in mortgage underwriting by the regulator of the GSEs and the Federal Housing Finance Agency. In 2025, the Federal Housing Finance Agency announced that lenders could immediately use VantageScore 4.0 for loans sold to the GSEs (implementation plans for FICO 10T are still in process as of the date of this report). Each scoring company charges a fee per score, so in a tri-merge report, up to 6 scores could be requested, one for each applicant and co-applicant from each of the three NCRAs. Going forward, when a report is requested, the exact score provider the lender wants to use must be requested for inclusion in the report.



## 3C's of underwriting

- 1 Capacity
- 2 Creditworthiness
- 3 Collateral

A tri-merge report is generated by a CRA that pulls the information for every borrower on a mortgage application from each of the three NCRAs. The CRA then merges all of the reports, removes duplicated information, and formats the report according to industry standards. The merged report will have up to three credit scores for each borrower along with the complete listing of all of their personal and joint liabilities and payment histories. These reports are delivered directly into the loan origination and underwriting systems used by the requesting lender — there is no manual entry of data.

As of this writing, there are 47 GSE-approved CRA companies that currently provide tri-merge reports.<sup>6</sup> Of the 47 CRAs, only one is also an NCRA.

### **Credit report costs today**

By federal law,<sup>7</sup> certain costs are allowed to be directly passed on to the borrower during the application and closing process. These include the appraisal fee and the fees for consumer credit reports, which are explicit line items in closing documents and are passed on to the borrower at cost — lender markups are not allowed.

Many closing costs are based on the loan amount or property value, such as lender origination fees, taxes, and title insurance. Credit report pricing is done at a flat rate per report, varying only by the type of report (single bureau versus tri-merge), and the number of applicants for whom the information is requested.

How much do credit reports, inclusive of credit scores, cost today in a typical mortgage closing? Between \$40 and \$120 for a single borrower and between \$60 and \$240 for two borrowers.<sup>8</sup> This sum includes the costs of all single-bureau and tri-merge reports, credit scores, and ancillary credit report products like monitoring services, requested by the lender during underwriting of the loan.

When a lender pulls a tri-merge report for use in underwriting, the report is valid under GSE policies for 120 days. However, if there is a material change in liabilities between the original report and closing, the lender could face a penalty when delivering the loan to a GSE or worse, find that the loan is no longer eligible for sale to a GSE.<sup>9</sup> To avoid this issue, some lenders will order a final report just prior to closing to make sure everything is as it should be, adding cost for the borrower but limiting the lender's risk.

To lower costs, a lender could pull the underwriting tri-merge report and then request undisclosed debt monitoring (UDM) for an additional fee which is less than the cost of an additional tri-merge report. This service alerts the lender if there are any material changes in the applicant's credit file that could affect the loan approval or pricing decision as soon as it is reported to one or more NCRA. Because it is timely, UDM reduces the likelihood of a delayed or failed closing relative to pulling an additional report just before closing when it may be too late to fix a problem.

### **NCRAs – how different are they?**

When credit reporting companies first came about more than 100 years ago, they were all local. The original credit bureaus were associations of business owners who would share the payment experiences they'd had with customers who had debts with them. Over time, the evolution of credit reporting companies followed that of the banking system they eventually supported, from local to regional to national. This history has a lasting imprint on the data collected by the NCRAs. Even today there remain small but important differences in coverage across the databases they maintain.



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**Table 1: Variation in credit bureau scores from RMBS rated by S&P Global Ratings 2014-2023**

| Score range (bin) | % in bin | Tri-merge median score | Average difference between high & low scores |
|-------------------|----------|------------------------|----------------------------------------------|
| (825–850]         | 0.04%    | 830.4                  | 16.8                                         |
| (800–825]         | 11.92%   | 807.6                  | 20.7                                         |
| (775–800]         | 26.54%   | 788.4                  | 24.0                                         |
| (750–775]         | 19.41%   | 763.9                  | 28.8                                         |
| (725–750]         | 13.85%   | 738.4                  | 32.2                                         |
| (700–725]         | 11.49%   | 713.2                  | 33.7                                         |
| (675–700]         | 7.31%    | 689.1                  | 33.8                                         |
| (650–675]         | 4.20%    | 664.1                  | 38.0                                         |
| (625–650]         | 2.17%    | 638.9                  | 39.0                                         |
| (600–625]         | 1.27%    | 613.6                  | 41.3                                         |
| (575–600]         | 0.68%    | 589.5                  | 47.6                                         |
| (550–575]         | 0.48%    | 563.1                  | 45.0                                         |
| (525–550]         | 0.41%    | 539.2                  | 43.1                                         |
| (500–525]         | 0.23%    | 513.3                  | 38.6                                         |

\*Notes: 23,000 observations on loans in RMBS that had three bureau scores. S&P Global Ratings: Residential Mortgage Credit Score Snapshot: When Three Bureaus Become Two, 8 June 2023. Table 3. Used with permission. Generally, loans with decision scores below 620 are not eligible for sale to the GSEs but may meet eligibility standards under FHA, VA or USDA programs or private portfolio lenders.

In 2023, S&P Global Ratings researchers evaluated differences in information across the three NCRAs as summarized by FICO® score values on 23,000 loans in MBS that they rated between 2014 and 2023.<sup>10</sup> Only loans that had scores from all three bureaus were used in the analysis. They found that there was a 29-point difference on average between the highest and lowest scores across the bureaus, and that the spread increased as the level of the FICO® score decreased. Table 1 presents the results of their analysis.

Under the current tri-merge report paradigm used by the mortgage industry, if there is only one borrower on the loan, then the middle or median score is used in loan underwriting and pricing. If there are two borrowers on the loan, then the median score of the weaker-credit borrower is used. This policy resulted from both statistical robustness in estimating mortgage default risk and a desire to mitigate criticism of the use of credit scores by avoiding using the worst score on the application although they were slightly better at predicting default risk. This policy has been in place since credit scores were first widely used in mortgage underwriting in 1995.<sup>11</sup>

### Credit scores and mortgage pricing

The impact of credit score levels on mortgage pricing is most evident in the loan level price adjustment tables from the GSEs (Table 2).<sup>12</sup> The pricing grid uses 20-point increments for the decision credit score, and the price is a percent of the origination loan balance if paid at closing and roughly a quarter of LLPA rate if added to the monthly payment as additional interest.

S&P Global Ratings researchers found that there was a **29-point difference on average between the highest and lowest scores across the bureaus...**

**Table 2: Loan level price adjustment by credit score & LTV ratio for purchase money loans with terms greater than 15 years**

| Credit score | Loan-to-value range |              |              |              |              |              |              |              |         |
|--------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|
|              | < 30.00%            | 30.01–60.00% | 60.01–70.00% | 70.01–75.00% | 75.01–80.00% | 80.01–85.00% | 85.01–90.00% | 90.01–95.00% | >95.00% |
| ≥ 780        | 0.000%              | 0.000%       | 0.000%       | 0.000%       | 0.375%       | 0.375%       | 0.250%       | 0.250%       | 0.125%  |
| 760 – 779    | 0.000%              | 0.000%       | 0.000%       | 0.250%       | 0.625%       | 0.625%       | 0.500%       | 0.500%       | 0.250%  |
| 740 – 759    | 0.000%              | 0.000%       | 0.125%       | 0.375%       | 0.875%       | 1.000%       | 0.750%       | 0.625%       | 0.500%  |
| 720 – 739    | 0.000%              | 0.000%       | 0.250%       | 0.750%       | 1.250%       | 1.250%       | 1.000%       | 0.875%       | 0.750%  |
| 700 – 719    | 0.000%              | 0.000%       | 0.375%       | 0.875%       | 1.375%       | 1.500%       | 1.250%       | 1.125%       | 0.875%  |
| 680 – 699    | 0.000%              | 0.000%       | 0.625%       | 1.125%       | 1.750%       | 1.875%       | 1.500%       | 1.375%       | 1.125%  |
| 660 – 679    | 0.000%              | 0.000%       | 0.750%       | 1.375%       | 1.875%       | 2.125%       | 1.750%       | 1.625%       | 1.250%  |
| 640 – 659    | 0.000%              | 0.000%       | 1.125%       | 1.500%       | 2.250%       | 2.500%       | 2.000%       | 1.875%       | 1.500%  |
| ≤ 639        | 0.000%              | 0.125%       | 1.500%       | 2.125%       | 2.750%       | 2.875%       | 2.625%       | 2.250%       | 1.750%  |

Source: Fannie Mae, Loan-Level Price Adjustment Matrix as of October 16, 2025.

A recent article in the *Wall Street Journal*<sup>13</sup> demonstrates how credit scores can impact mortgage rates (Table 3). The takeaway is that for every 20-point improvement in the decision credit score, the mortgage rate paid by the borrower declines by roughly one-eighth of a percentage point.

**Table 3: Average 30-year fixed mortgage rates in 2025 by credit score**

| FICO® Score | Average mortgage interest rate | Change in rate by improved score range |
|-------------|--------------------------------|----------------------------------------|
| 620         | 7.59%                          | -                                      |
| 640         | 7.45%                          | -0.14%                                 |
| 660         | 7.33%                          | -0.12%                                 |
| 680         | 7.26%                          | -0.07%                                 |
| 700         | 7.13%                          | -0.13%                                 |
| 720         | 7.08%                          | -0.05%                                 |
| 740         | 6.96%                          | -0.12%                                 |
| 760         | 6.89%                          | -0.07%                                 |
| 780+        | 6.81%                          | -0.08%                                 |

Source: Wall Street Journal, "Mortgage Rates by Credit Score" by Molly Grace, August 8, 2025.

### How would a single bureau report system be used in practice?

In a world in which a single bureau report could be used instead of a tri-merge report, only the liabilities that the single NCRA has on a mortgage applicant would be provided. The details of exactly how this score would be selected in a case with multiple borrowers are not known as of this writing, but there are four possibilities for loans with more than one borrower: (1) a single NCRA is the source for both reports for the borrowers and the lower of the two scores is the decision score; (2) a single NCRA is the source for both reports for the borrowers and the average of the two scores is the decision score; (3) different NCRAs provide the reports and the lower of the two scores is the decision score, or (4) different NCRAs provide the reports and the average of the two scores is the decision score.

**Table 4: Hypothetical decision credit scores under tri-merge and single bureau scenarios**

|                                          | Potential homebuyer couple 1<br>(95% LTV conventional loan) |                |            |                            | Potential homebuyer couple 2<br>(80% LTV conventional loan) |                |          |                            |
|------------------------------------------|-------------------------------------------------------------|----------------|------------|----------------------------|-------------------------------------------------------------|----------------|----------|----------------------------|
|                                          | Score source                                                | Borrower 1     | Borrower 2 | Score source               | Borrower 1                                                  | Borrower 2     |          |                            |
|                                          |                                                             | Bureau A       | 660        |                            | 655                                                         | Bureau A       | 733      | 712                        |
|                                          | Bureau B                                                    | 634            | 662        | Bureau B                   | 755                                                         | 713            |          |                            |
|                                          | Bureau C                                                    | 618            | 619        | Bureau C                   | 746                                                         | 745            |          |                            |
|                                          |                                                             |                |            |                            |                                                             |                |          |                            |
| Decision score policy                    | Score source                                                | Decision score | GSE LLPA   | Change from tri-merge LLPA | Score source                                                | Decision score | GSE LLPA | Change from tri-merge LLPA |
| Tri-merge                                | ABC                                                         | 634            | 2.250%     | 0.000%                     | ABC                                                         | 713            | 1.375%   | 0.000%                     |
| Avg single bureau                        | A                                                           | 660            | 1.875%     | -0.375%                    | A                                                           | 733            | 1.250%   | -0.125%                    |
|                                          | B                                                           | 634            | 1.875%     | -0.375%                    | B                                                           | 755            | 1.250%   | -0.125%                    |
|                                          | C                                                           | 618            | NA         | Denied                     | C                                                           | 746            | 0.875%   | -0.500%                    |
| Lowest single bureau                     | A                                                           | 660            | 1.875%     | -0.375%                    | A                                                           | 733            | 1.375%   | 0.000%                     |
|                                          | B                                                           | 634            | 2.250%     | 0.000%                     | B                                                           | 755            | 1.375%   | 0.000%                     |
|                                          | C                                                           | 618            | NA         | Denied                     | C                                                           | 746            | 0.875%   | -0.500%                    |
| Single bureau average score multi-source | A                                                           | 330            | 1.625%     | -0.625%                    | B&C                                                         | 378            | 0.875%   | -0.500%                    |
| Single bureau lowest score multi-source  | A&B                                                         | 0              | 1.625%     | -0.625%                    | B&C                                                         | 0              | 0.875%   | -0.500%                    |

Note: LLPA impact on borrower assumes no changes in GSE pricing policies in moving from tri-merge to single bureau scores. In cases where the couple would not be approved for a conventional GSE loan they might qualify for an FHA loan but at higher cost than the GSE loan.

Table 4 illustrates the impact of these options on the decision score for two hypothetical homebuyer couples and the GSE LLPA they would be assessed if they remain as they are today under a single-bureau paradigm.

For Couple 1, moving to a single-bureau model could result in a reduction of their LLPA by up to 0.625% or it could lead to a denial. Given the option of choosing a single-source bureau for both reports, Bureau A is their best option. If they can choose different sources, then they should go with either Bureau A if the GSE policy is the average of the two scores or Bureaus A and B if the GSE policy is to use the lower of the two scores. However, if their lender contracts exclusively with Bureau C for all its reports on a bulk pricing discount, then the couple would be denied for a conventional loan.

For Couple 2, moving to a single-bureau model could result in a reduction of their LLPA by up to 0.5%. Given the option of choosing a single-source bureau for both reports, Bureau C is their best option. If they can choose different sources, then they should go with Bureaus B and C regardless of the GSE policy. However, if their lender contracts exclusively with Bureau A for all its reports on a bulk pricing discount, then depending on how the decision score is selected (average or lower score) then they may see no difference or they may see savings of an eighth of a point.

For Couple 1, moving to a single-bureau model could result in a reduction of their LLPA by up to 0.625% or it could lead to a denial.

The bottom line from these hypotheticals is that some consumers may be better off if only one bureau report is used, assuming no price adjustments from the credit report policy change, but some may be undeniably worse off. It is not a clear win for consumers. But the assumption that the pricing grids will remain the same is likely naive, and I will investigate this argument further in a later section.

How would the change to a single-bureau report affect loan processing? A lender could negotiate to have all bureau reports sent by one of the NCRAs directly to them through their loan origination system. They would then have to clean the data of duplicate accounts, merge and standardize the data according to GSE requirements if there is more than one borrower. A considerable technology and analytics investment. However, they cannot charge the borrower for this data cleanup service as part of their credit report fee as only the direct costs of the reports to the lender can be passed on to the borrower and they cannot include a price markup.

They could instead contract for the processing and delivery of the single-bureau reports to be done by one of the CRAs that currently provide tri-merge reports. However, the tri-merge CRAs would have to make technological investments to accommodate the single-bureau reports and add features to allow the lender to select a particular NCRA. This suggests that they might not lower their prices much or at all for the service of providing the merged and cleaned single-bureau reports below what they charge today for a tri-merge report. That is, it is not necessarily cheaper for them to process 2 single-bureau reports than to do a tri-merge report for 2 borrowers given that they would have to incur programming, testing, and compliance costs to accommodate the change.

Today, a cost-conscious lender can pull a single bureau report as a “soft pull” for use in a preapproval through the GSEs’ automated underwriting systems. If the borrower’s application gets an “Accept” rating, then the loan is approved with certain limitations, and the lender can move forward with the application pulling the tri-merge report any time prior to closing. A soft pull or soft inquiry is not reflected in the consumer’s credit report as an application for new credit. A single bureau report is about a third of the cost of a tri-merge report and there is no difference in pricing between soft and hard pulls. So, in this scenario, the consumer would be paying for one single-bureau soft pull report and one hard pull tri-merge report at closing and the lender would only be out about \$20 to per applicant on a failed loan, savings of about half to two-thirds on credit report costs on loans that fail to close.

In the proposed single-bureau model, to get the best chance of a loan closing, a diligent lender would want to pull credit reports from all three NCRAs for all applicants before selecting the single-bureau report to be used in underwriting. In this scenario, the lender would in essence be pulling the equivalent of a tri-merge report but do so using a soft pull. Then the lender would order the best single-bureau report for use in underwriting. In this scenario, the consumer would be paying for one soft pull tri-merge report, and one single-bureau hard pull report. The cost to the consumer is the same at closing, but the cost to the lender may rise due to pulling the screening tri-merge first rather than the cheaper single-bureau report, especially if the loan never closes!

Mortgage applicants are required to disclose all major liabilities, which the tri-merge report essentially does for them. In the single-bureau paradigm, any debts that are not reflected in this selected bureau report would still create risk to the lender of undisclosed debts as the borrower may assume the information would be in the report. This could lead to either the loan being ineligible for sale to a GSE or create future repurchase risk. For example, there may be debts not currently included in the selected bureau’s report which may be why the borrower’s credit score was higher and the lender selected that report. Or the applicant might apply





for an auto loan during the underwriting period that shows up as a hard inquiry on another bureau's records but only after closing does the loan appear on the selected bureau's database. If this occurs prior to delivery of the loan to a GSE, the lender would be on the hook for any problems that arise from this new undisclosed debt just as they are today. There is no incentive for the GSEs to make allowances for undisclosed debts under the new paradigm.

### Fallout – the real issue

Lenders often complain about the cost of credit reports that they pull for customers who do not ultimately close a loan with them, known as fallout. They can, if they want to, request payment from the applicant when the mortgage application process is initiated to cover the cost of the initial credit pull.<sup>14</sup> Many are reluctant to do so as they believe it drives some potential clients away.

**Table 5: Home Mortgage Disclosure Act single-family mortgage applications for home purchase**

| Action taken                          | 2023             | 2024             |
|---------------------------------------|------------------|------------------|
| <b>Loan originated</b>                | <b>3,146,400</b> | <b>3,183,934</b> |
| Preapproval requested                 | 188,685          | 177,764          |
| No preapproval requested              | 2,957,715        | 3,006,170        |
| <b>Loan not originated</b>            | <b>1,946,019</b> | <b>1,820,435</b> |
| <i>No preapproval requested</i>       |                  |                  |
| Application denied                    | 596,075          | 572,098          |
| Application withdrawn by applicant    | 786,095          | 732,456          |
| File incomplete - closed              | 185,663          | 176,856          |
| Application approved but not accepted | 147,520          | 144,750          |
| <i>Preapproval requested</i>          |                  |                  |
| Application approved but not accepted | 170,952          | 149,262          |
| Application denied                    | 59,714           | 45,013           |
| <b>Total applications</b>             | <b>5,092,419</b> | <b>5,004,369</b> |
| <b>Total preapprovals requested</b>   | <b>428,533</b>   | <b>381,253</b>   |

Source: Author calculations on 2023 and 2024 Home Mortgage Disclosure Act data. Data limited to home purchase mortgage applications for single-family (1–4 unit) properties for noncommercial/nonbusiness use.

To put fallout cost in perspective, in both 2023 and 2024, there were a little over 5 million mortgage applications submitted for home purchase loans on single family, 1–4-unit properties that were not intended for commercial or business purposes (Table 5). Of these applications, 3.15 million became funded mortgage loans in 2023 (61.8%) and 3.18 million in 2024 (63.6%). The remainder were not originated for various reasons resulting in a fallout rate between 36% and 38% in the two years.

The midpoint of the range of tri-merge credit report costs mentioned earlier is about \$120. If the cost of a non-originated application is less than this because it happens earlier in the application/underwriting process, the average might be closer to half that as a ball-park number, so say \$60. That puts the estimated voluntarily uncompensated fallout costs for credit reports ordered by lenders between \$110 million to \$230 million in each of those two years.



Roughly 50% of the applications that fell out were due to incomplete applications or the application was withdrawn by the potential borrower. This would have likely occurred before the lender incurred many costs in underwriting. But for the 50% of failed applications that went through at least the initial underwriting phase, about 32% were approved but not accepted by the borrower and the remainder were denied.

As already mentioned, in the current tri-merge paradigm, the lenders can lower their credit report fallout costs by using single-bureau soft pull reports to seek preapproval through the GSEs and to counsel borrowers on options early in the process — these reports cost roughly one-third of what the tri-merge report costs, roughly \$20 per report per applicant. If the borrower decides to continue with their application after getting preapproved, the lender would be required to pull a hard tri-merge report prior to closing. Of the more than 5 million loan applications made in each of 2023 and 2024, only 8% were submitted for preapproval first.

Lenders cite the reason they don't use the single-bureau-report-preapproval option is the risk that the loan pricing will be materially higher after the tri-merge report is pulled and the loan approval conveyed to the borrower. Thus, they opt to jump straight to the tri-merge report at the start even though it costs significantly more if the loan fails.

### **Pricing and competitive issues in a single-bureau setting**

One of the arguments for moving to a single-bureau report paradigm is the alleged triopoly of the NCRAs and perceptions that the tri-merge set up reduces competition because all three NCRAs get a piece of the action in every report. But just because there is a small number of providers does not mean they have unlimited pricing power and moving to a single-bureau model in mortgage underwriting does not incent new NCRAs to form.

For a single tri-merge report there are up to 5 parties that get compensation. The 3 NCRAs, the credit score provider if applicable, and the tri-merge CRA (one of 47). If a tri-merge CRA charges too much, lenders are incented to change providers. If an NCRA tries to raise prices too high on credit reports for mortgage loans, a CRA may punish the NCRA by pushing more of its single-report business to a competitor. Now that VantageScore® is approved for use in GSE mortgages, FICO® too may have a limit on how far it can push up its pricing.

### **Market effects of moving from 3 to 1**

Investors in GSE MBS are highly sensitive to the timing of when they will receive their principal investment back. To start, there is the normal amortization of the payments which is known at origination. But if a borrower decides to pay off the loan early, the investor may get their money back too soon — usually when interest rates are falling and borrowers look to refinance their loans into cheaper rates. This is known as prepayment risk.

But because the typical GSE MBS or Ginnie Mae MBS guarantees the return of the investor's principal, a default is the same to them as a prepayment. Loans with higher credit scores tend to refinance more quickly when rates fall and loans with lower credit scores will default more often. Both events are more likely to happen in a weakening economy. Thus, they care about the credit score distribution of the loans in the MBS that they buy.

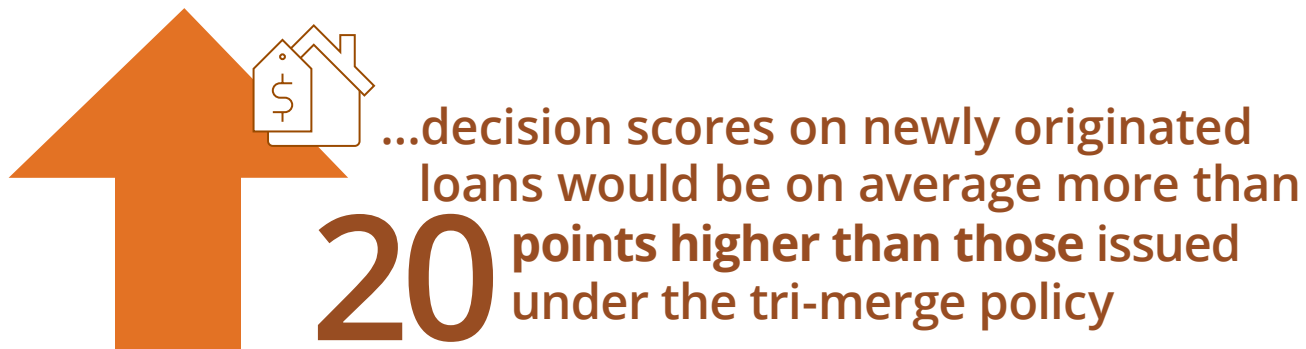
If we go back to our hypothetical couples from Table 4, under the current tri-merge paradigm, Couple 1 would have a decision score of 634 and Couple 2 would have a score of 713. Let's suppose that the GSEs require both scores to come from the same bureau and that they will use the lower of the two scores. These potential homebuyers have very good loan officers, who select the best bureau for their

Roughly  
**50%**  
of the applications that  
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incomplete applications



clients. So, Couple 1 would use scores from Bureau A with a decision score of 655, an improvement of 21 points, and Couple 2 would source their scores from Bureau C with a decision score of 745, an improvement of 32 points.

MBS investors, the GSEs, and mortgage insurers would immediately see that decision scores on newly originated loans would be on average more than 20 points higher than those issued under the tri-merge policy. They know that the risk profile of the new loans is not fundamentally changed. Thus, it is highly likely that they will recalibrate their models and prices to reflect the shift in scores.



But they won't just move the pricing scale by the same average number of points but to something higher to account for now unknown variability in performance. They know the scores have been cherry-picked to be the highest, but the information that made the previous scores lower is missing from the evaluation. How does this missing information affect mortgage performance? How does adverse selection affect expected results?<sup>15</sup> Is there also a moral hazard problem?<sup>16</sup> Investors and insurers will want to be compensated for this higher risk.

This means that borrowers under a single-bureau paradigm will see higher interest rates at each credit score band, all else equal, than under the tri-merge paradigm. How much higher? It would depend on how much the score distribution shifts, but from the analysis by the *Wall Street Journal* shown in Table 3, they would pay at least 0.125% more for every 20-point shift in the score distribution to realign the risk with the new distribution. It means there is at best no benefit to consumers from the single-bureau higher score and at worst all mortgage borrowers would pay more in interest.

To put this in scope, suppose that the 4.6 million first mortgages originated in 2024 were instead underwritten under a single-bureau paradigm and that the market assessed a risk premium of 0.125% for the additional perceived risk.<sup>17</sup> On the average mortgage loan amount of \$350,000<sup>18</sup> originated in that year and using the annual average mortgage interest rate of 6.75%, those mortgage borrowers would pay an additional \$29 per month, or \$133 million per month in aggregate to compensate capital markets for the less accurate credit reports used in underwriting.

One of the key arguments put forth by proponents of moving from tri-merge to single-bureau is to save consumers money at closing. Let's generously assume that credit report costs would fall from an average of \$120 to \$40 per closed loan, saving borrowers \$80 at closing. Within 3 months they will have more than paid for these savings in higher interest costs and over 5 years will have racked up an additional \$2,200 in interest costs. This is clearly a lose-lose for consumers.

## Concluding thoughts

The main proponents of moving from a tri-merge to single-bureau paradigm are lenders who argue that it will save consumers money. In reality, it will provide little to no benefits to consumers and more likely will add thousands of dollars to their borrowing costs. Further, while I believe this is an effort to reduce lender costs from fallout, lenders also would not necessarily benefit. The incentives from GSE guidelines, the potential for fair lending violations, and a desire to get a loan approved will likely mean that they will pull multiple bureau reports anyway, thus realizing no benefits from the change.

Competitively, there is no change to the market structure that would be incentivized by the switch. It is possible that the NCRAs could even gain market share over the tri-merge CRAs if they all delivered direct sale single-bureau reports to lenders, cutting out the resellers. Currently only one NCRA sells tri-merge reports, and they face stiff competition from at least 46 other CRA resellers.

There are few to no benefits from upending the status quo in mortgage lending as far as credit reports are concerned and many expensive reasons to stick with what has been working well for 30 years.



[equifax.com/business/trends-insights/mortgage-housing-trends/](https://equifax.com/business/trends-insights/mortgage-housing-trends/)

- 1 In 1995, Freddie Mac launched its automated underwriting system Loan Prospector® and Fannie Mae soon followed with its Desktop Underwriter®. These systems brought standardization and statistical modeling into mortgage underwriting, expanding credit opportunities and improving mortgage performance. See Straka, John (2000), "A Shift in the Mortgage Landscape: The 1990s Move to Automated Credit Evaluations," *Journal of Housing Research*, Vol. 11, No. 2, pp. 207-232 for a detailed history of credit scoring and automated underwriting in mortgages.
- 2 Federal Housing Finance Agency, National Mortgage Database (NMDB®) Outstanding Residential Mortgage Statistics [2nd Quarter 2025 Report](#)
- 3 This is the most common way they issue MBS. They have other specialized MBS that they sell to investors but the terms under which they source loans for all MBS are identical.
- 4 Federal Housing Finance Agency, National Mortgage Database (NMDB®), Outstanding Residential Mortgage Statistics [2nd Quarter 2025 Report](#)
- 5 Fair Credit Reporting Act [15 U.S.C. §1681] as amended as of December 27, 2021, §5603(a) (d) defines a consumer report, §5603(a) (f) defines a consumer reporting agency, and §5603(a) (p) defines a nationwide consumer reporting agency.
- 6 See <https://singlefamily.fanniemae.com/credit-information-providers>
- 7 Real Estate Settlement Procedures Act (RESPA), 12 USC § 2602(1); 12 CFR § 1024.2(b), [https://files.consumerfinance.gov/f/documents/cfpb\\_respa\\_frequently\\_asked\\_questions.pdf](https://files.consumerfinance.gov/f/documents/cfpb_respa_frequently_asked_questions.pdf); and Truth in Lending Act (TILA) [15 U.S.C. 1601 et seq. Chapter 2 Section 128: 6-1083], <https://www.federalreserve.gov/frrs/regulations/truth-in-lending-act-reg-z.htm>
- 8 See <https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-cfpb-director-rohit-chopra-at-the-mortgage-bankers-association/>, <https://www.linkedin.com/pulse/tri-merge-creditreport-pricing-comparison-2025-miller-mba--8s9hc/>, <https://www.bankofamerica.com/mortgage/closing-costs-calculator/>, <https://mosheslaw.com/buyer-closing-cost-calculator-for-nyc/>, and <https://www.guldmortgage.com/blog/do-lenders-charge-to-run-your-credit-report/>. The range of values cited in these articles is consistent with those provided in the Fannie Mae Closing Cost Calculator which is based on actual closing costs on mortgages they purchased over the past 18 months by county and loan amount. Due to copyright restrictions on their site's information, I cannot republish it here. See <https://yourhome.fanniemae.com/calculators-tools/closing-costs-calculator>.
- 9 See Fannie Mae "Undisclosed liabilities – attacking this common defect," May 2021. Accessed at <https://singlefamily.fanniemae.com/media/28021/display>
- 10 S&P Global Ratings: Residential Mortgage Credit Score Snapshot: When Three Bureaus Become Two, 8 June 2023 accessed at <https://www.spglobal.com/ratings/en/regulatory/article/residential-mortgage-credit-score-snapshot-when-three-bureaus-become-two-s12748088>
- 11 Ken Harney, "Your Mortgage: Freddie Mac to Use Borrower Credit Scoring," Los Angeles Times, July 30, 1995. Accessed at <https://www.latimes.com/archives/la-xpm-1995-07-30-re-29444-story.html>. See also See Straka, John (2000), "A Shift in the Mortgage Landscape: The 1990s Move to Automated Credit Evaluations," *Journal of Housing Research*, Vol. 11, No. 2, pp. 207-232 for a detailed history of credit scoring and automated underwriting in mortgages. As for the choice of which score to use, I joined Freddie Mac in late 1997 and the policy had been in place at least since they launched their automated underwriting system, Loan Prospector®, in 1995. However, I have been unable find any historical reference on the implementation of the policy.
- 12 See <https://singlefamily.fanniemae.com/media/9391/display>
- 13 *Wall Street Journal*, "Mortgage Rates by Credit Score" by Molly Grace, August 8, 2025. Accessed at <https://www.wsj.com/buyside/personal-finance/mortgage/mortgage-rates-by-credit-score>
- 14 See Truth in Lending Act [15 U.S.C. 1601 et seq. Chapter 2 Section 128: 6-1083] <https://www.federalreserve.gov/frrs/regulations/truth-in-lending-act-reg-z.htm>
- 15 Adverse selection occurs when there is asymmetric information between buyers and sellers, often leading to decisions that favor the more informed party. It can lead to inefficiencies in the market and the mispricing of risk.
- 16 Moral hazard in this context is the risk that a party has not entered into a contract in good faith or has provided misleading information about its assets, liabilities, or credit capacity.
- 17 Equifax Credit Trends Originations Report, August 2025 available at <https://www.equifax.com/business/trends-insights/marketpulse/>
- 18 Equifax Credit Trends Originations Report, August 2025 available at <https://www.equifax.com/business/trends-insights/marketpulse/> and Freddie Mac Primary Mortgage Market Survey, available at <https://fred.stlouisfed.org/series/MORTGAGE30US>