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All-Out War

Your FICO score has long determined whether you could get a mortgage, car loan or credit card. That could change soon.

A Fight Over Credit Scores Turns Into

BY ANNAMARIA ANDRIOTIS

AND GINA HEEB

FOR YEARS, rival executives have been fighting behind the scenes over who controls the most important number in every American's financial life: their credit score. Now, a $10 fee has tipped the sides into open warfare. To the victor will go the power to determine who gets mortgages, car loans and credit cards in the U.S. and how much they will pay for them.

— Note

The battle pits Fair Isaac, the creator of the dominant credit-scoring algorithm, against three companies: Equifax, Experian and Trans-Union. Those three companies supply the credit files that go into Fair Isaac's score, or FICO score. They are eager to break Fair Isaac's grip on determining creditworthiness. And they think they can do it by offering an alternative, a credit score they created and named VantageScore.

The FICO score has had such a lock on the business for so long that many think of it as a government statistic. The FICO score is used in about 90% of consumer-lending decisions in the U.S., according to industry analyst estimates, and Chief Executive Will Lansing is one of the highest-paid executives in the country.

FICO dates back to 1956, when a Stanford University engineer, William Fair, and a mathematician, Earl Isaac, each put in $400 to start a company they called Fair Isaac. They invented the FICO score as a way to measure creditworthiness, or the risk that a borrower won't pay back a loan.

For banks and other lenders, the scores became a game changer. A score supplied a quick, easy way to evaluate a potential borrower. In the 1990s Fannie Mae and Freddie Mac made FICO the required score for their mortgages, cementing the American consumer dependency on FICO.

The head of the Federal Housing Finance Agency, Bill Pulte, lit a match to the long-simmering tensions this year when he suggested FICO was engaging in anticompetitive behavior. "FICO, and any other monopoly who has ripped off Americans for decades, should not be using improper efforts to threaten regulators," he wrote on X.

He opened the floodgates by declaring that VantageScore could now be used instead of FICO for many mortgage approvals.

VantageScore says it can increase access to credit for more consumers and help people who have limited credit histories buy homes or cars.

To the chief executive of FICO, "choice encourages mortgage participants to shop for the most lax score" and will create a "race to the bottom" that risks American taxpayers being on the hook if something goes wrong. "The FICO score is the backbone of safety and soundness in the mortgage industry," Lansing said on a July conference call to discuss earnings.

"What once seemed to be a very cordial and mutually financially beneficial relationship between four companies now seems to be closer to war," said John Ulzheimer, who has worked for or been affiliated with all the companies over the years in various roles including working with FICO scoring models.

This reporting is based on conversations with more than a dozen individuals involved in the industry, most of them current senior and midlevel executives within the credit scoring and reporting companies.

The 'Lord's work'

Here's how your FICO score is determined: Equifax, Experian and TransUnion have the history of how you manage your debt and other financial information, such as whether you pay debts on time and if you have too much credit-card debt compared to a card's spending limit. They put all that information into a credit report.

They feed their reports into what the industry calls FICO's "black box," which crunches the numbers and spits out a FICO score between 300 (the worst) and 850 (the best). FICO charges Equifax, Experian and TransUnion for each score and the three companies sell their reports plus the FICO score to lenders at a markup.

Signs of trouble for FICO's hold on the market emerged in 2006 —Note when Equifax, Experian and Trans-Union got together to create VantageScore.

VantageScore claimed it could calculate credit scores for millions of people who often don't have FICO scores. —Note VantageScore found a supporter in a then up-and-coming senator, Tim Scott, a Republican who is now chair of the Senate Banking Committee. Vantage-Score's pitch that it could help more people, including minorities, become homeowners particularly resonated with Scott.

Around 2014, the federal government began exploring whether changes should be made to the credit score used for mortgage underwriting, including looking at VantageScore as one option.

Lansing, who got his start at consulting-firm McKinsey and held the CEO job at several companies before FICO, saw a path for FICO to start boosting its profits.

FICO hadn't raised the price for its signature mortgage-score product in decades and it still sat at a few cents per score. Some executives at the time continued to believe their main purpose was "doing the Lord's work," one executive recalled.

—Note term

The CEO and his top deputies thought they had long been underpricing the FICO score. They believed a big gap existed between the few cents FICO was charging for its scores and the value it brought to consumers being able to attain credit, lenders being able to originate more loans and the broader U.S. financial system.

Some executives told Lansing it seemed like the wrong time to make a move. They were all expecting a decision from the government soon on VantageScore, and they worried that a price increase would give the credit-reporting firms and Vantage-Score ammunition against FICO.

Lansing saw it differently: If the government decided to stay with FICO only and FICO increased prices, it would give critics ammunition to call it a monopoly.

Privately, FICO's leadership was getting annoyed with having to partner with credit-reporting firms, which were becoming more and more competitors.

The companies were tacking on a fee of their own that is currently about $5 on FICO mortgage scores. And they were making a push with lenders to use VantageScore on credit cards or other consumer loans, offering competitive pricing.

FICO's prices continued to go higher, particularly for mortgage scores. They hit $4.95 in 2025, dramatically higher than before Lansing had started the march by raising prices several years earlier.

While FICO executives continued to view their price as less than a Starbucks latte, the increases were eating into bottom lines for mortgage lenders.

Lenders generally charge a borrower the cost of the fee when a loan is closed. If a potential borrower walks away from a loan application, the lender eats the costs they've spent preparing.

One senior executive in the credit-reporting industry told Lansing that his company's price hikes practices amount to price gouging.

But at FICO, Lansing's price increases were paying off.

In fiscal 2024, the company's revenue from selling credit scores was $920 million, nearly five times what it was a decade before. Sales of the scores now make up more than half of the company's overall revenue, compared to just 24% a decade ago. (FICO also sells software for marketing purposes and analytics.)

The company's profit last year was $512.8 million, also a five-fold increase over 10 years.

Lansing's pay rose too. In 2023, he was the fifth-highest-paid executive in the S&P 500, ahead of Apple's Tim Cook, thanks to a $30 million onetime retention and leadership award that vests over five years. Last year, he was paid $35 million, 28th on the S&P 500 list.

The company moved its longtime headquarters from San Jose, Calif., to Bozeman, Mont., near where Lansing owns a home and spends several months

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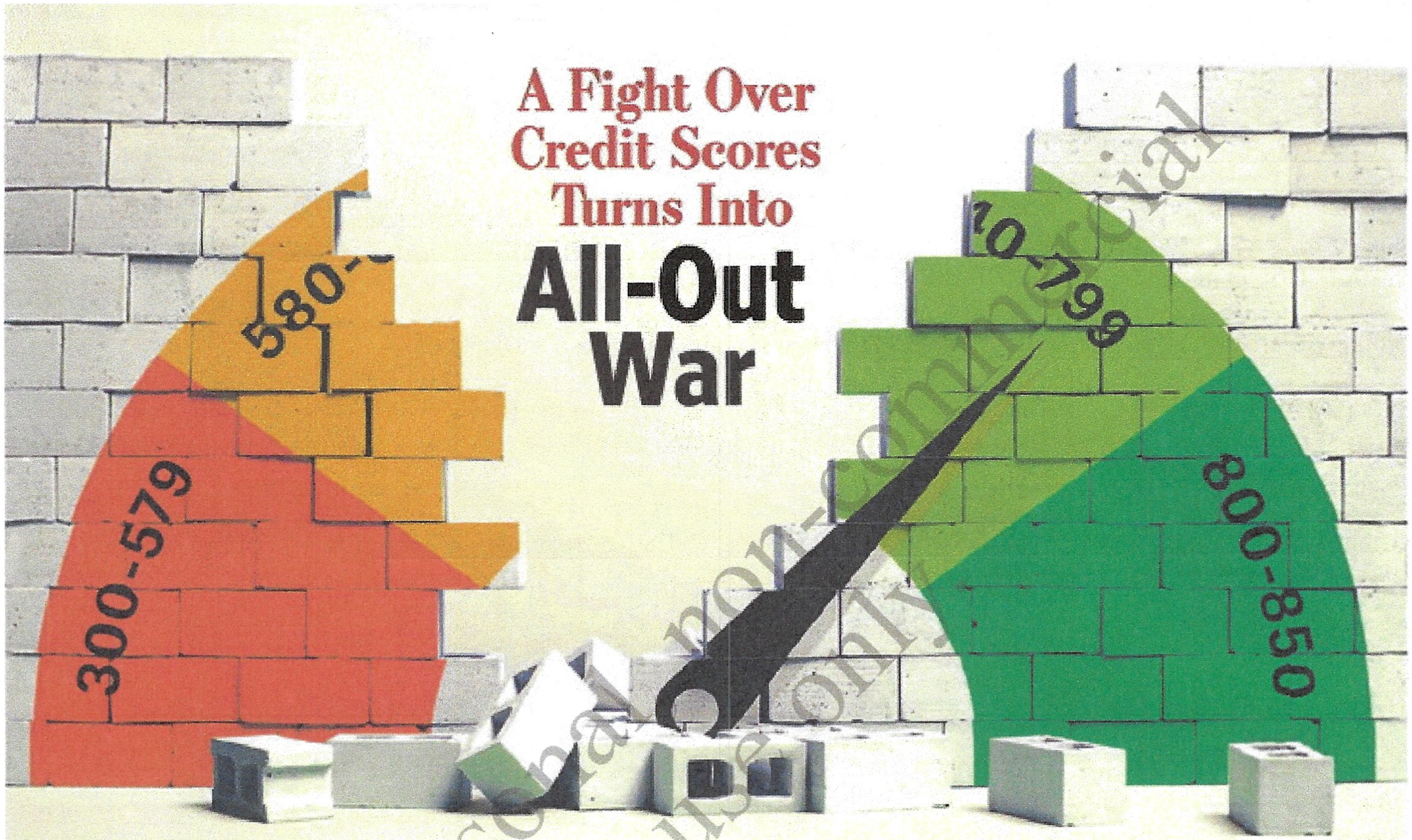

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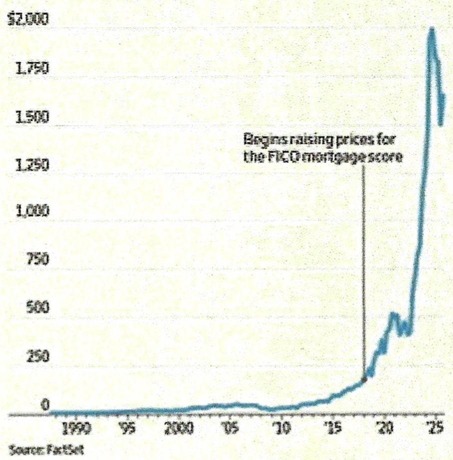
Fair Isaac stock price, quarterly



Source: FactSet

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