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For decades, nearly every consumer credit decision revolved around a three-digit number -- the FICO credit score. That is changing.

FICO has long dominated the market for consumer credit, providing scores for some 200 million U.S. consumers that are used by a whole host of lenders to evaluate credit-card, auto-loan and mortgage applicants. For borrowers, higher scores can mean bigger loans and lower interest rates.

But powerful forces are aligning to test its dominance.

Big lenders are moving away from FICO, according to people familiar with the matter. Capital One Financial Corp. and Synchrony Financial don't use its scores for most consumer-lending decisions. They are becoming a smaller factor in some underwriting decisions at JPMorgan Chase & Co. and Bank of America Corp.

A key financial regulator, meanwhile, is encouraging banks to de-emphasize credit scores in an effort to expand access to affordable credit. And housing-finance giants Fannie Mae and Freddie Mac are considering allowing lenders to use other scores when evaluating mortgage applicants.

There are a few reasons for the shift. Many lenders now review a wealth of new data and use it to refine their own proprietary scores that they say are better able to predict who will repay. Regulators are concerned that FICO leaves too many people behind, limiting them to payday loans and other costly forms of credit. Some 53 million U.S. adults lack traditional FICO scores because they have thin or nonexistent borrowing histories.

"FICO scores are good, but they're not perfect," said Roger Hochschild, chief executive of Discover Financial Services. The company relies less on FICO scores when evaluating existing or prior customers and more when applicants are brand-new to Discover, he said.

FICO's waning influence could become a problem for the roughly $16 billion company behind it: Fair Isaac Corp. FICO scores account for about 40% of its revenue but nearly all of its profits, according to people familiar with the matter.

The company has increased its price for traditional FICO scores significantly in recent years, to around 25 cents apiece for underwriting purposes from 15 cents to 18 cents, eliciting complaints from some big lenders, according to people familiar with the matter. In recent months, it has offered lenders free access to two newer credit scores meant to boost loan approvals among applicants with slim credit histories, other people said.

"We see no evidence in our business to indicate the marketplace is using the FICO score less," said a FICO spokeswoman. "We realize lenders use, and in fact encourage lenders to use, the FICO score in conjunction with proprietary data and models to make the best decision possible." The spokeswoman said that FICO didn't materially increase the price of FICO scores for 25 years after their introduction. "After decades of inflation, the real price of the FICO score effectively decreased," she said.

FICO scores, which range from 300 to 850, are calculated using the information in people's credit reports, such as payment history, credit-card debt relative to spending limits and recent credit applications.

Borrowers often check their FICO scores before they apply for credit. But the guessing game is getting harder. Big banks are increasingly approving applicants with low FICO scores or rejecting those with high scores if alternative metrics point in a different direction, lending executives said.

Still, the scores are a mainstay in many consumer-credit decisions. The company sold more than 10 billion FICO scores in the past 12 months, a figure that has remained steady during the last few years.

Lenders' efforts to rely less on FICO scores accelerated during the pandemic. The scores don't reflect deferment and forbearance programs, making it harder for lenders to evaluate borrowers. Some 48% of lenders feel less confident making consumer-lending decisions based on traditional credit scores and reports compared with a year prior, according to a recent Aite Group survey of more than 20 lenders.

Bank credit executives said their own internal data and proprietary scores are more reliable. They factor in information from credit reports, deposit balances and overdrafts and their own prior lending relationships with applicants.

For banks, one benefit of their own scoring systems is their ability to tweak them. Several years ago, JPMorgan noticed that when borrowers transferred their credit-card debt to a personal loan, their FICO scores often increased because the share of debt they carried compared with their cards' spending limits had fallen, a person familiar with the matter said. But the debt was still present in the form of a personal loan. The bank found a similar issue with its own credit score but was able to quickly fix it, the person said. FICO said recent versions of its scores address this issue.

JPMorgan still uses FICO scores for mortgages and car loans but relies on them less for many credit-card originations, the person said, particularly when there is an existing relationship with the bank.

FICO is becoming a smaller factor in underwriting decisions at Citizens Financial Group Inc. When shoppers apply for its **buy**-**now**-**pay**-**later** loans, the bank considers factors including what they are buying, according to a person familiar with the matter. Fitness equipment, for example, is viewed as a sign of creditworthiness because it suggests a positive change in behavior.

FICO has a big advantage: Investors rely heavily on the scores to decide whether to buy packaged-up consumer loans. The scores are a common language of sorts, one that requires no time-consuming translation. Even lenders that don't use FICO to make lending decisions tend to use them in loan securitizations.

FICO largely has Fannie Mae and Freddie Mac to thank for its hold on securitization. Decades ago, they decided lenders using credit scores to underwrite mortgages would have to use FICO scores if they wanted to sell the loans to them. Lenders later moved to using them for nearly everything else.

But FICO might soon face competition in the mortgage market. Fannie Mae and Freddie Mac are considering allowing lenders to use other scores -- including VantageScore -- in lending decisions.

Banks' efforts to decrease their reliance on FICO recently got a boost from Washington.

Last summer's racial-justice protests sparked a conversation at the banks' main regulator, the Office of the Comptroller of the Currency, about the pitfalls of credit scores. Agency decision makers concluded that the OCC's credit-score guidance to banks -- meant to prevent big loan losses -- was preventing many Black and Hispanic borrowers from obtaining affordable credit, according to a person familiar with the matter.

The OCC enlisted banks, financial-**technology** firms and civil-rights advocates to find ways to underwrite loans to people without traditional credit scores. FICO has contacted the OCC several times asking to be part of the effort, including pitching its UltraFICO score that factors in bank-account activity, according to people familiar with the matter.

Big lenders participating in the program told the OCC they weren't interested, some of the people said.

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