Alterra
Home Loans
Building Wealth Through Homeownership

To whom it may concern:

Minorities are the first-time homebuyers of tomorrow, and many today are only served through more costly and less liquid mortgage channels. Alterra serves this community through offering several options for borrowers such as DPAs, ITIN loans, and several other programs. 82% of our business is to minorities and 64% are first time homebuyers. While the GSEs continue to pilot new approaches to serving minority communities, the reliance on a one-size-fits-all credit score puts some prospective borrowers at a disadvantage. It's not just about product eligibility—it's also about fair pricing. Minorites are primarily the group with lower FICOs or no FICO, which means we must offer them much higher rates. Often this leaves both the borrower and ourselves at a disadvantage. The borrower is already facing issues to qualify and higher rates only perpetuates this. Understandably, higher rates are to be expected, however, we should be able to more reasonable as to how much higher.

The current FICO monopoly discourages newer or more creative approaches. When the GSEs say "this is the standard," the whole industry—insurers, wholesale bankers, portfolio buyers, etc.— takes that at face value. Credit scores are a good rough estimate of creditworthiness in aggregate and on average, but there are many times when a specific borrower's Classic FICO doesn't seem like an accurate representation. This is especially true for borrowers with limited credit history. Breaking the current monopoly could generate better options and fairer pricing for some prospective borrowers. It would also begin the right industry dialog. The future of homebuying is telling us this is the demand. We must meet the demand to capitalize on this. If a credit scoring model is shown to pass the highest standards (which should be required by FHFA), then originators should have the flexibility to choose the model that works best for their businesses and their customers. This should apply to VantageScore 3.0, FICO 9, and any future models brought to market. Option 3 creates an incentive for model developers to innovate, change with the times, and accurately score the homebuyers of tomorrow.

The RFI itself contains 22 difference questions on the scoring issue. Below I'd like to draw your attention to 5 of them:

- A1.1: When and how do you use credit scores during the mortgage life cycle to support your business?
- A1.6: Do you have a recommendation on which option FHFA should adopt?
- A2.1: What benefits and disadvantages would you envision for your business, your business partners, and/or borrowers under each of the options?
- A2.2: How significant are the operational considerations for a single score update? Please discuss any comparison of operational considerations between a single score (option 1) and multiple score options (options 2-4).
- A3.3: What would be the benefits of lender choice if the number of qualified borrowers remained unchanged or changed only modestly from the credit score you are using today to underwrite borrowers for loans sold to the Enterprises?

Sincerely,

Marco Zamudio
COO