



October 31, 2022

Via FHFA Portal Submission and E-Mail

Federal Housing Finance Agency
Office of the Director
400 7th Street, S.W., 10th Floor
Washington, D.C. 20219
Adam.Russell@FHFA.gov

RE: Comment in Response to July 2022 Request for Information (“RFI”) Regarding Fintech in Housing Finance

Dear Mr. Russell,

VantageScore Solutions, LLC (“VantageScore”) greatly appreciates the work of the Federal Housing Finance Agency (“FHFA”) to spur innovation benefiting the housing finance markets, consumers, and taxpayers. VantageScore also applauds the FHFA’s establishment of the Office of Financial Technology and expects that its success, alongside that of similar offices at other financial regulators, will have an important impact on fairness and growth in housing finance. Given the critical role of home ownership in the ability of U.S. consumers to build individual and intergenerational wealth, VantageScore is especially pleased to have the opportunity to share input on the RFI. Below, we provide (i) contextual information for our perspectives, as well as (ii) specific comments in response to Questions B.4, and C.1/C.3.

I. About VantageScore

The FHFA’s interest in innovation to promote greater access to financial services harmonizes with the approach of VantageScore, which is committed to responsible innovation and has been since the company’s inception. Established in 2006, VantageScore set out to perform its multi-pronged mission: to develop a consumer credit scoring model that is more inclusive while also being more predictive; to leverage better data analytics, innovation, and collaboration in building credit-decision models; to provide plain-language education tools to help consumers improve their credit health; and to allow lenders and other financial markets participants to benefit from more fully evolved credit-scoring models. By working towards this mission, VantageScore endeavors to achieve its ultimate goal of expanding credit access and increasing inclusivity by scoring more consumers with the most predictive scoring models. Most recently, the data supports the efficacy of VantageScore’s approach; VantageScore credit scoring models have been very well received in the consumer lending marketplace and are viewed as both highly predictive and inclusive.



Highly predictive. More than 14.5 billion credit scores calculated with VantageScore’s models were used in the twelve-month period from March 1, 2021 through February 28, 2022, including 2,625 financial institutions who used approximately 6.65 billion VantageScore credit scores. Among the over 3,000 unique users of VantageScore credit scores are 9 of the top 10 banks, and 30 of the top 50 banks.

More inclusive. VantageScore Model 4.0 allows lenders to accurately assess an estimated 37 million more consumers than conventional scoring models without lenders having to loosen their credit quality standards to reach a larger audience. Among these 37 million additional scoreable consumers, there are approximately 13 million consumers who have a VantageScore 4.0 credit score of 620 or above. Of those 13 million newly scoreable consumers, approximately 3.0 million are African Americans or Hispanic who are otherwise unable to obtain a conventional credit score.

VantageScore is eager to share its expertise and perspective with the FHFA in a mutual effort to promote responsible innovation and the use of financial technology that furthers the purposes enumerated in the congressional charters of Fannie Mae and Freddie Mac. To that end, we write to provide specific comment on the following questions discussed below.

II. Response to Questions in the RFI

Question B.4: What are the existing data challenges that most prevent data-driven decision-making in the mortgage lifecycle?

The lack of availability of quality alternative data, at scale, presents a challenge to undertaking data-driven decision-making.¹ Until VantageScore first innovated in the data analytics space, rental payments were not included in making Americans’ credit score higher. Following VantageScore’s analysis and inclusion of rental payments data when possible, it was found that African Americans, Asian Americans, Latinos, new immigrants, and other subsets of consumers who are disproportionately renters, benefited the most in terms of greater scoreability and access to credit. Notwithstanding the impact of this innovation for greater inclusion and access by VantageScore and—eventually—by others with regard to rental payment history, this and other forms of alternative data sources still remain comparatively unavailable, because for example landlords are neither required nor incentivized to furnish data to consumer reporting agencies. By increasing the availability of alternative data, even greater numbers of consumers could become scoreable.

Questions C.1/C.3: What new fintech tools and techniques are emerging that could further equitable access to mortgage credit and sustainable homeownership? Are there effective ways to identify and reduce the risk of discrimination, whether during development, validation, revision, and/or use fintech models or algorithms?

¹ Alternative data includes bank transaction data, utility payments, or rental payments.



Fair lending concerns can arise with respect to any credit scoring model if the resulting scores represent different levels of risk for two similarly situated consumers belonging to different population classifications. By using advanced data analytics and regression-testing, VantageScore determines whether addition or deletion of certain data sets will have an impact, in order to reduce the risk of discrimination. In addition, machine learning techniques have led to a performance lift of as much as 16.6% for bank card originations and 12.5% on auto originations of consumers with dormant credit files.² This innovation further bridges the gap between access to mainstream credit and those consumers without deep credit histories who have traditionally been frozen out of lenders' automated underwriting systems.

As far as new data analytics tools, VantageScore has developed Inclusion360™, an open-access, interactive analytics platform (available online) that enables the public to discover previously underserved consumers by geographic region.³ In terms of leveraging data to increase credit access, it is the first tool of its kind. Launched in June 2022, Inclusion360™ will provide relevant information to financial institutions seeking to identify geographic regions within assessment areas in which individuals historically have been denied access to the credit for which they legitimately qualify. VantageScore built Inclusion360™ to permit lenders and policymakers to identify more numerous and robust financial inclusion opportunities.

Additionally, VantageScore has recently launched RiskRatio, a tool designed to show the shifts associated with a credit score due to macro-economic factors and consumer usage over time for various products. A common misconception is that the risk associated with a credit score remains static. This tool, available online, allows the user to: (1) measure the ratio between VantageScore credit scores and delinquency rates over time, and (2) examine historical delinquency rates for all credit products, including auto, card and mortgage. This first-of-its-kind tool offers lenders and those in the capital markets the ability to refresh the relationship between credit scores and default levels (measured by delinquency of 90 days or more over a 24-month period) at different points in time for originations as well as existing accounts.

These tools and techniques are examples of VantageScore's efforts to use information and technology to increase access to credit and provide sustainable homeownership opportunities for consumers previously invisible to the housing finance marketplace.

² For additional information, please see the white paper entitled, "How Machine Learning Enhances VantageScore 4.0" available at <https://vantagescore.com/newsletter/white-paper-how-machine-learning-enhances-vantagescore-4-0/>.

³ See <https://vantagescore.com/press-releases/new-inclusion360-platform-launched-by-vantagescore-to-pinpoint-opportunities-for-financial-inclusion/>. Inclusion360 is available at <https://www.vantagescore.com/lenders/inclusion360/>.



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Thank you for the opportunity to comment and provide information about innovation and the housing finance market. Please feel free to contact me (silvio@vantagescore.com) or our Senior Vice President, Industry & Government Relations, Tony Hutchinson (tony@vantagescore.com), if you have any questions.

Sincerely,

Silvio Tavares
President & CEO