February 16, 2018

Federal Housing Finance Agency (FHFA)
Office of Housing and Regulatory Policy
400 Seventh Street SW, Ninth Floor
Washington, DC 20024

RE: Comments on Credit Score Request for Input

Dear Sir or Madam,

Introductory paragraph:

I am writing on behalf of [Pearl Hawaii FCU], which serves [community credit union serving the Island of Oahu]. We have [23,996] members and [$338,834,517] in assets. [Pearl Hawaii FCU] appreciates the opportunity to provide comments to the Federal Housing Finance Agency (FHFA) on its Credit Score Request for Input.

Letter Body:

The FHFA's request for input lists 22 questions regarding the implications of updating credit scoring requirements and reducing the required number of credit reports. ***Please see the RFI, included in the Supporting Documents, for a full list of questions to consider.***

What benefits and disadvantages would you envision for your credit union and your members under each of the options?

Option 1 (Single Score): A single score option would provide an option that would be easier to implement than multiple scores. Implementation of multiple scores; however, generally becomes a challenge and restrictive based on the systems an enterprise may currently use.

Option 2 (Require Both): Multiple scores allows an enterprise to have a number of options if a credit score model is not returned. This option would be used like a merge credit report where the median score is used. Multiple credit scores would require an enterprise to develop policies that would determine pricing based on two scores. Such requirement could be detrimental as the possibility of a credit score model not returning a score could demand additional requirements in their internal underwriting systems. Consumers understandings of each of these scores would be somewhat challenging as additional efforts to educate members would be needed.

Option 3 (Lender Choice on which score to deliver, with constraints): This option provides for an enterprise to be selective on which score to use. Such option could effectively provide a strategy that they feel appropriately mitigates risk the other score might not provide. However, this also opens up the possibility of enterprises to use the best option applicable that would return a satisfactory loan approval. As such, limiting enterprises to a single choice by default would mitigate this potential risk.

How much would it cost, and how much time would it take, to implement each option?

The apparent cost savings of using one or two credit score models could be somewhat deceiving as the potential hidden cost associated with the potential of procuring a system that supports these newer score models could pose a challenge. Time frame associated with implementing such change could be up to 12 months or longer

How would you approach evaluating when the benefits of new or multiple credit scores sufficiently exceed the costs and potential risks associated with making such a change?

Evaluation would begin with the credit score's historical performance in the segment that is being evaluated. Such approach would come with risk as historical performance derived from national data do not necessarily correspond to one's market. Evaluation of cost versus risk of using a single score or multiple scores would be a driver in making this decision.

Because credit score models are not interchangeable, what issues or challenges would you face if the Enterprises were to have different eligibility or pricing based on the credit score version?

Enterprises would experience potential reduction of qualified applicants if enterprises were to have different eligibility or pricing because of the inability to interchange credit score models

If presented with the flexibility to pull data from just two CRAs or one CRA, would your credit union likely take a

Our credit union would take advantage of having the option to pull data from one of two CRAs. Such option would decrease the cost and also allow outdated tri-merge credit reports to be replaced with better predicting score models such as FICO 09 and Vantage 3.0.

dvantage of this flexibility? Why or why not?

If the Enterprises had to increase pricing for using less credit data from fewer than three credit agencies to account for the additional risk, would the flexibility still be attractive? Why or why not?

Increase in pricing for using less credit data from fewer than three credit agencies would not be an attractive option as risk associated with this option should be mitigated with the score models

Do you have a recommendation on which option FHFA should adopt?

FHFA should consider option 1 (single score).

Do you have additional concerns or insights to share on the Enterprises updating their credit score requirements?

FHFA should strongly consider adopting a change to updated credit score models as these newer scores best represent the changing characteristics of consumers.

Summary of your position:

We have some concerns with the proposal.]

Closing paragraph:

Thank you for the opportunity to comment on this Request for Input and for considering our views on updating credit score models.

Sincerely,

Gordon Sam
Board Chairperson
Pearl Harbor FCU

cc: CCUL