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March 27, 2018

The Honorable Melvin L. Watt
Federal Housing Finance Agency
Office of Housing and Regulatory Policy
400 7th Street Southwest, 9th Floor
Washington, DC 20219

Maximizing the Benefits of Credit Scoring

Dear Director Watt,

Different people have different attitudes towards credit. This is especially apparent when we look across cultures and communities. We can all agree that failing to meet an obligation is a bad thing. But should a lack of experience in using credit cards preclude a person from getting a home loan? Is no credit bad credit? Does a consumer with a thin credit history have different attitudes about paying back her obligations or just different attitudes about taking on debt in the first place? Is a person with savings, positive cash flow, but no history of using credit a bad credit risk?

These are each questions without simple answers. For those who study them, the answers have evolved over time. This is why Fannie Mae and Freddie Mac change their own systems and policies. It's also why they often take different approaches. At the same time, however, both GSEs continue to insist on this one-size-fits-all use of Classic FICO. Because of their positions in the market, their decree defines the whole industry. We at the National Asian American Coalition and the National Diversity Coalition believe this is unfair and counterproductive. We believe the market should accommodate more than one credit scoring model. We believe this would provide for fairer access for some borrowers; that it would encourage innovation; and that it would bring positive spill-over effects for the broader mortgage market.

In addition to serving as President and CEO of the National Asian American Coalition and the National Diversity Coalition, I recently co-founded a community lender called The Capital Corps. Our aim is to gain CDFI designation and make loans to non-traditional borrowers. As part of that process, we would like to consider VantageScore as an alternative to Classic FICO. We would go about this decision much in the same way that we look at all critical tools and vendors: by gathering options, studying the data, and making a business decision.



Today, we do not have that flexibility. Even if we're selling loans through another channel, FICO carries the backing of the standard-bearers. Option 3 in your RFI would change that. Your RFI notes the potential for "adverse selection" or a "race to the bottom," but it also alludes to good solutions, like preventing lenders from comparison shopping and insisting on strong standards for model accuracy.

On behalf of the National Asian American Coalition and the National Diversity Coalition, the Capital Corps, and the communities we serve: I encourage you to give lenders the option to choose between the latest models from FICO, VantageScore, and any other developer that may someday join them.

We look forward to continuing to work with you, Fannie Mae and Freddie Mac to address the present barriers to effective credit scoring.

Most respectfully,

 /s/ Faith Bautista
Faith Bautista
President & CEO
National Asian American Coalition
National Diversity Coalition