March 30, 2018

To whom it may concern:

On behalf of the Progressive Policy Institute (PPI), I am writing in response to the Federal Housing Finance Administration’s (FHFA) Request for Input (RFI) on Fannie Mae and Freddie Mac Credit Score Requirements.

We appreciate the opportunity the FHFA has presented by creating this RFI. PPI has long supported bold and innovative policy reforms to broaden access to homeownership. We believe encouraging the use of alternative scoring models for underwriting mortgages and new entrants into the industry would increase competition and could help some underserved families access new mortgages.

Furthermore, promoting greater competition has been a key tenet of U.S. economic policy since the earliest days of the Republic. In 1951 the U.S. Supreme Court noted that the “The heart of our national economic policy long has been faith in the value of competition.”

Yet government policies to encourage more competition can only work if the new entrants don’t have a monopoly on one of the components used to make the final product. Unfortunately that is exactly the situation in the case of Vantage, the company most likely to benefit from a rule change to require or encourage alternative scoring.

VantageScore is a consumer credit-scoring model created through a joint venture of the three major credit bureaus (Equifax, Experian, and TransUnion). The issue is a rule change to push for alternative scoring models may simply trade one dominant player (FICO) for another (Vantage).

The reason? Because the owners of Vantage control the supply of information currently used by FICO to make its determination. And given the history of the three monopolies, it would not be surprising to see Equifax, Experian, and TransUnion use that leverage to the advantage of Vantage, and eventually force FICO out of business.

The good news is there is a solution. Require the three credit agencies to sell their respective stakes in Vantage before going forward on changes to require alternative scoring models to be considered. Doing so would add a true alternative and ensure that neither FICO nor Vantage have an unfair advantage due to their relationship with the credit repositories.

Thank you for your consideration.

Lindsay Lewis

Executive Director

Progressive Policy Institute

Washington, DC