Congress of the United States
Washington, DC 20515

January 2, 2019

The Honorable Mel Watt
Director
Federal Housing Finance Agency
400 Seventh Street SW
Washington, DC 20219

Re: Validation and Approval of Credit Score Models (RIN 2590–AA98)

Dear Director Watt:

As the 115th Congress comes to a close, I would like to recall the words contained in a letter that I authored and sent to you, along with a bipartisan group of House Financial Services Committee, shortly after you were sworn-in as Director. The letter expressed very clearly the belief "that updating the [Fannie Mae and Freddie Mac] seller/servicer guidelines so that they do not mandate the use of credit scores provided by only one company is in the interests of the GSEs, consumers, and taxpayers."[1]

To emphasize the importance we placed on allowing mortgage lenders the opportunity to choose from among multiple validated and approved credit scoring models, the "Credit Score Competition Act" was introduced in both the House and the Senate in the 115th Congress. The underlying principles of the "Credit Score Competition Act" were subsequently enacted into law last May as Section 310 of Public Law 115-174. There is nothing ambiguous in the descriptive title of Section 310: "Credit Score Competition"; it would be difficult to express the intent of Congress any more clearly than through those three simple words.

Yet if implemented as proposed, the rule published for public comment would frustrate the goal of the statute. For example:

- The statutory language makes clear that FHFA has the responsibility for establishing "standards and criteria" that credit score developers must meet in order for their credit scoring models to be validated and approved by Fannie Mae and Freddie Mac; however, if adopted as written the proposed rule would cede at least some of that responsibility to Fannie Mae and Freddie Mac. In a section entitled "Enterprise Standards and Criteria" the proposed rule would "permit the Enterprises to establish additional requirements for the Enterprise Business Assessment."[2]
- Rather than establishing a framework that would provide an ongoing opportunity for credit score model validation and approval as one would expect in a vibrant, competitive and innovative market as envisioned by the authors of Section 310, the proposed rule would provide that FHFA require a solicitation *only* "every seven years."[3]

---

[1] Letter to Director Watt dated January 9, 2015 and signed by Reps. Ed Royce, Carolyn Maloney, Jim Himes and Spencer Bachus.
[2] Federal Register, Vol. 83, No. 245, at 65588, column 2.
[3] Federal Register, Vol. 83, No. 245, at 65580, column 3.

- In the proposed rule FHFA appears to take a questionably expansive reading of its regulatory authority by imposing unnecessary prior restraints on competition by "prohibit[ting] an Enterprise from approving any credit score model developed by a company that is related to a consumer data provider through any common ownership or control, of any type or amount."[4]

The three items highlighted above are merely illustrative; as an author and strong supporter of "Credit Score Competition" I believe that the proposed rule is unnecessarily complex and at odds with the statutory language contained in Section 310. It is my hope that your successor, who will be responsible for promulgating a final rule implanting "Credit Score Competition," will address these and other shortcomings in the Notice of Proposed Rulemaking.

Sincerely,

Ed Royce
MEMBER OF CONGRESS

[4] Federal Register, Vol. 83, No. 245, at 65579, column 1.