



March 15, 2019

The Honorable Joseph M. Otting
Acting Director
Federal Housing Finance Agency
400 7th Street, S.W.
Washington, D.C. 20219

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

Dear Acting Director Otting:

On behalf of more than 17,000 real estate professionals and their clients, representing the fastest growing segment of the US population, the Asian Real Estate Association of America (AREAA) is pleased to comment on the Federal Housing Finance Agency's ("FHFA's") proposed rule to implement the "Credit Score Competition" provisions contained in Sec. 310 of the "Economic Growth, Regulatory Relief, and Consumer Protection Act" (S. 2155 / Public Law 115-174).

AREAA appreciates FHFA's work to create greater access to homeownership for minority homebuyers and individuals with Limited English Proficiency. Unfortunately, from our perspective, the implementation of "Credit Score Competition" provisions fall short of either the letter or the spirit of the law. AREAA believes that, through market competition and innovation among Credit Scoring Models, the lending industry would be encouraged to deploy more predictive scoring models – opening more doors for traditionally underserved communities, including Asian American and immigrant communities.

Since 2010, Asian Americans have been the most active minority participant in the conventional conforming mortgage market. With levels of income and education higher than national averages, Asian Americans are well positioned to be homeowners – especially when considering higher average down payment and favorable debt-to-income statistics. However, Asian American homeownership rates continues to lag behind the national average by 6% and 15% behind non-Hispanic whites. Asian American homebuyers have grown by nearly 30% since 2001 and are continuing to grow; however, our community's homeownership attainment could be substantially higher. Greater access to homeownership is mutually beneficial to the housing market and to potential Asian American buyers.



Many Asian Americans are first generation immigrants with limited experiences taking on debt. As a result, many have avoided credit card usage. While these individuals could be potential risks to most mortgage lenders, they are often viewed as credit invisible as a result of their credit patterns and reliance on cash transactions. Using new credit scoring models and introducing acceptance of non-traditional credit data could safely expand accessibility to more Asian American and immigrant consumers.

Within the proposed rule, there are several provisions making it difficult for new credit scoring model providers to compete for market adoption. While we appreciate the need for legitimate tools to be deployed through GSE sellers and servicers, AREAA does not support a structure that essentially eliminates the ability of new entrants from competing for business. For instance, the provision in the proposed rule restricting Applications for Credit Scoring Models to be submitted every 7 years (or longer) must be reduced to a reasonable time frame to meet changing consumer and market needs. This lengthy timeframe unnecessarily stalls competition and innovation in the credit scoring model development. Additionally, the provision in the rule allowing unlimited time, scope and cost of any form of “cost-benefit” analysis required by the GSEs would reduce the number of future submissions of Applicant Credit Score Model Developer. This provision seems to create a significant and unreasonable barrier to entry for new providers.

Finally, the provision requiring credit score model applicants to provide three years of financial statements seems to yet again make it impossible for new providers with innovative products to introduce their credit scoring systems. There should be counter party assessments made by the GSEs and determinations made by the lenders who will be using these new scoring systems; however, the three years of financials seems arbitrary and would stall competition.

The appropriate and correct implementation of this law is critical for Asian American homeownership as well as many other underserved communities. We are hopeful that you will reconsider many of the unnecessary provisions that will lead to the continuation of the de facto monopoly on the GSE’s use of a single credit scoring system.

Sincerely,

Hope Atuel
Executive Director
The Asian Real Estate Association of America