



March 19, 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:

Since 2004, I have served as President and Chief Executive Officer of Pulte Mortgage LLC in Englewood, Colorado, and have nearly 40 years of experience in the residential mortgage industry, the last 30 of which have been with Pulte Mortgage. Since our founding in 1972, we have helped more than 400,000 homebuyers finance their new home purchases. Pulte Mortgage is a part of PulteGroup, one of America's largest homebuilders with operations in over 800 communities across the United States. PulteGroup is proud to offer a broad array of homes, from starter to move-up to active adult.

I have also served as the Chairman of the Board of Directors of the Mortgage Bankers Association and previously held a variety of industry leadership positions, including as a member of the Fannie Mae and Freddie Mac National Advisory Councils and Chair of the MBA's Residential Board of Governors (RESBOG.)

I write today regarding 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) because the currently proposed rule fails to fulfill either the letter or the spirit of the law. This Bill was passed to allow competition among Credit Scoring Models to encourage more predictive and precise models to flourish and to expand opportunity in a fair and responsible manner to millions of consumers boxed out of a credit score today through use of an outdated – but mandated - traditional model.

I would like to emphasize these important points:

- If there is a point of common ground for regulators, policy makers, the Administration, academics, consumers and lenders, it is to provide access to credit for all qualified borrowers.
- In today's lending environment, a borrower's credit score has become a gating factor. It contributes to determining not just eligibility and pricing, but also investor channel and product selection.
- The current credit score requirement has not changed in almost two decades. The entire system—from lenders, buyers, and investors to vendors, analysts, and data providers—has hardened around that requirement.
- As Fannie Mae and Freddie Mac have continued to evolve their underwriting engines, state-of-the-art credit scoring is imperative to the future of sustainable homeownership.
- It is time that we move to a system that can accommodate more than one credit scoring model, so long as all models used meet acceptable standards.
- The Harvard Joint Center for Housing predicts more than 75% of new household formation in the next 10 years will be “people of color.” In crafting and approving Sec. 310 (of S. 2155), which is entitled *Credit Score Competition*, it was Congress' intent that FHFA would promulgate rules allowing for competition in the credit scoring models used by lenders for loans to be sold to Fannie Mae and Freddie Mac. This competition is necessary, not only to meet the need of this new demographic household formation over the next 10 years, but to also extend credit opportunity to millions of consumers in a fair and responsible way who are currently boxed out of a credit score when using the traditional scoring model mandated by the GSEs.
- As an industry professional, engaged in ensuring a healthy housing market, I am familiar with VantageScore Solutions, the most viable competitor to the FICO Classic credit scoring model which is required by Fannie Mae and Freddie Mac (the GSEs) to be used for mortgages they purchase from approved Lenders. VantageScore has demonstrated that (using its Model 4.0) it can score approximately 40 million people who are unable to obtain a score using the Classic FICO scoring model. We recognize that many of these consumers will not be eligible for credit today, but we also know they need to gauge their status for us to be able to assist them to improve their situation to become eligible for

mainstream credit. Of those 40 million, we believe approximately 10 million would have an equivalent score of 620 or above, possibly making them mortgage eligible immediately, under alternative credit scoring models. In addition, of those 10 million, nearly 2.4 million are African-American or Hispanic.

- In order to ensure that competition would not compromise safety and soundness, any model approved for use by the GSEs must not only meet “standards and criteria” established by FHFA but also must be validated by the GSEs as required by Sec. 310.
- The provision in the proposed rule restricting Applications for Credit Scoring Models to be submitted every seven years (or longer) must be reduced to a reasonable time frame to meet changing economic cycles, model enhancements, new data sources and changes in consumer demographics and attributes. There is no reason that Applications couldn’t be submitted on an annual basis.
- The provision in the rule allowing unlimited time, scope and cost of any form of “cost-benefit” analysis required by the GSEs must be limited to no longer than 90 days’ duration and be reasonable in cost and scope – such that the cost to the Applicant Credit Score Model Developer is not likely to exceed \$50,000 of aggregate cost. Without these “guardrails” no company is going to submit for approval with an unlimited scope of analysis – unlimited duration – and unlimited cost.
- The provision requiring credit score model applicants to provide three years of financial statements must also be removed. This provision guarantees that no new start-up credit scoring models will be allowed to submit for approval no matter how predictive, precise or widely used in the marketplace in their early years. This provision must be eliminated as it certainly does not foster innovation or competition in credit score model development. The GSEs have the ability to validate new credit score models when they are submitted for approval. If they have reasonable concerns over financial strength of the controlling entity, they should raise those issues at that time instead of arbitrarily eliminating them from consideration.
- By specifying a statutory timeline for implementation of Sec. 310, it was Congress’ intent that FHFA should adhere to that timeline in order that the benefits of credit score competition can be realized without undue delay.
- It is time we allow the industry to be more adaptable and responsive.

As enacted into law, Sec. 310 is simple and straightforward; its implementing regulations should be likewise.

Sincerely,

A handwritten signature in blue ink, appearing to read "Debra W. Still". The signature is fluid and cursive, with the first name being the most prominent.

Debra W. Still
President/CEO
Pulte Mortgage LLC
Pulte Financial Services LLC