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William R. Tisdale
President and CEO

March 20, 2019

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

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

Dear Acting Director Otting:

I am writing on behalf of the Metropolitan Milwaukee Fair Housing Council, a private nonprofit organization that works to promote fair housing throughout the State of Wisconsin. Homeownership is a vital component of the housing market, and most prospective homeowners need to obtain a home loan in order to purchase their house. Therefore, to ensure maximum housing choice for the people we serve, we work to ensure that all credit-worthy borrowers have equal access to fairly-priced credit. Unfortunately, the current credit scoring models used by Fannie Mae and Freddie Mac (the GSEs) unfairly shut out millions of borrowers across the country because they fail to evaluate all factors that can accurately predict a potential borrower's ability to repay a loan.

We were heartened by the passage of the *Economic Growth, Regulatory Relief, and Consumer Protection Act (the Act)*, and the *Credit Score Competition* provisions contained in Sec. 310 of the Act, but are motivated to write today regarding the Federal Housing Finance Agency's proposed rule to implement the *Credit Score Competition* provisions. The currently proposed rule fails to fulfill either the letter or the spirit of the law. The Act 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 who are currently boxed out of a credit score.

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 to meet the needs of all borrowers entering the homeownership market now and those seeking to become homeowners in the future. The competition will help fairly and responsibly extend credit opportunity to millions of consumers who are boxed out of a credit score when using the traditional scoring model mandated by the GSEs.

We have reviewed studies, and confirmed with our colleagues in nonprofit housing and credit counseling organizations, that there are indeed viable competitors to the FICO Classic credit scoring model, which is the model currently required by Fannie Mae and Freddie Mac to be used for mortgages they purchase from approved lenders. For example, VantageScore has demonstrated that by using their Model 4.0, they can score approximately 40 million people who are currently 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 credit counselors or housing counselors to be able to assist them improve their situation to become eligible for mainstream credit.

The provision in the rule that eliminates any Credit Score Model from consideration of approval if there is any ownership (even fractional) by a Consumer Data Provider must be removed. The anti-trust concerns cited in the proposed rule have already been decided in the courts in favor of the model owned by the three Credit Bureaus (VantageScore). Additionally, please note that the two credit score models have been competing for 12 years in other credit sectors such as credit cards, auto loans, student loans, unsecured loans, etc. with no examples of data access restriction or negative pricing impact. This anti-competition provision results in a perpetuation of the more than 20-year monopoly for FICO mandated by the GSEs in the conventional mortgage markets of America and must be eliminated from consideration to allow competition and innovation in credit scoring models to meet the needs of our constituents now and in the years to come.

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

Sincerely,

A handwritten signature in black ink that reads "Bethany Sanchez". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Bethany Sanchez
Senior Administrator, Fair Lending Program