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March 21, 2019

The Honorable Joseph Otting
Acting Director
Federal Housing Finance Agency
400 Seventh Street SW
Washington D.C. 20219

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

Dear Acting Director Otting,

I write to urge the Federal Housing Finance Agency (FHFA) to carefully consider the impact of the proposed rule on competition in the market for credit scores, consumer rights, and access to credit.

Buying a home is the single most important financial decision many Americans will make in their lives. Owning a home is a primary means by which Americans accumulate wealth,[1] and children born into homeowning families enjoy life-long advantages, including being more likely to become homeowners themselves.[2] Importantly, promoting homeownership helps to address income inequality that have served as persistent barriers to wealth accumulation for communities of color.[3] Credit score models should compete with one another on accuracy and reliability while enabling more consumers to access home loans.

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[1] Lisa Dettling, Joanne W. Hsu, Lindsay Jacobs, Kevin B. Moore, and Jeffrey P. Thompson, *Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances*, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM: FEDS NOTES (Sept. 27, 2017) ("For many families, the primary residence is an important component of the balance sheet. Well over half of white households are homeowners (73 percent), compared with just under half of black and Hispanic households (around 45 percent) and 54 percent of other households."); Laurie Goodman, *Homeownership is still financially better than renting*, URBAN INSTITUTE: URBAN WIRE (Feb. 21, 2018), https://www.urban.org/urban-wire/homeownership-still-financially-better-renting.

[2] *See* THOMAS P. BOEHM AND ALAN M. SCHLOTTMAN, JOINT CENTER FOR HOUSING STUDIES, HARV. U., HOUSING AND WEALTH ACCUMULATION: INTERGENERATIONAL IMPACTS (2001) ("In addition, for lower income households, housing wealth proves to be a particularly important component of total wealth accumulation."); Emily Badger, *How your parents affect your chances of buying a home*, WASH. POST (May 4, 2016), https://www.washingtonpost.com/news/wonk/wp/2016/05/04/how-your-parents-affect-your-chances-of-buying-a-home/.

[3] *See* JUNG HYUN CHOI, URBAN INSTITUTE, INTERGENERATIONAL HOMEOWNERSHIP: THE IMPACT OF PARENTAL HOMEOWNERSHIP AND WEALTH ON YOUNG ADULTS' TENURE CHOICES 1 (2018) ("Historically, homeownership has been an important wealth-building asset. Wealth accumulation is financially beneficial not only to the homeowners themselves but can also be transferred to their children. This intergenerational homeownership transfer is likely to reinforce and expand the homeownership and wealth gaps across race and ethnicity.").

The Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 required the FHFA to establish a process for approving third-party credit scores for use by Fannie Mae and Freddie Mac.[4] Pursuant to the Act, the FHFA proposed a rule establishing a four-phase validation and approval process to examine proposed scoring models, particularly for "accuracy, reliability, and integrity."[5] Importantly, the proposed rule is also an opportunity for the FHFA to consider whether to adopt additional credit-scoring models besides the Classic FICO model for their loan-purchase programs and underwriting systems.

Under the proposed rule, Fannie and Freddie could not approve a credit score model "developed by a company that is related to a consumer data provider through any common ownership or control, of any amount."[6] The proposed rule notes that the FHFA has not identified an amount of common ownership that would address its concerns, and therefore, any common ownership, "even a minority ownership interest would be subject to the prohibition."[7] Left unchanged, this prohibition would effectively rule out using an alternative credit-scoring model, VantageScore, which is owned jointly by the credit reporting agencies (CRAs)—Experian, Equifax, and TransUnion.

While I take no position as to whether VantageScore should or should not be used, I suggest that this provision in the proposed rule be re-visited, as competition among credit score models may serve as an opportunity to promote homeownership by increasing access to credit.[8] Lack of competition in this market should not be allowed to stand in the way of the millions of American families who could otherwise own a home. This marketplace should serve these vital national interests.

Sincerely,

David N. Cicilline

David N. Cicilline
Chairman
Subcommittee on Antitrust,
Commercial and Administrative Law
Committee on the Judiciary

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[4] 12 U.S.C. § 1454(d)(3).
[5] Validation and Approval of Credit Score Models, 83 Fed. Reg. 65, 575, 65, 578 (Dec. 21, 2019).
[6] *Id.* at 65, 579.
[7] *Id.* at 65,579.
[8] Reply to the Federal Housing Finance Agency Request for Input on Credit Scores, National Consumer Reporting Association.