



March 21, 2019

The Honorable Joseph M. Otting
Acting Director, Federal Housing Finance Agency (FHFA)
400 7th Street, SW
Washington, DC 20219

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

Dear Acting Director Otting,

We are writing on behalf of Take Root Milwaukee, a consortium of over 50 members that work collaboratively to preserve and promote sustainable, diverse neighborhoods by encouraging and maintaining homeownership. Through this initiative, housing counseling agencies, lenders, Realtors and community-based nonprofits work together to increase awareness of homeownership education and products and foreclosure prevention services.

Homeownership is a vital component of the housing market, and most homebuyers need to obtain a home loan in order to purchase their home. To ensure maximum housing choice for the people our members serve, we work together to ensure that all credit-worthy borrowers have equal access to fairly-priced credit. We also work closely with our lender members and Freddie Mac and Fannie Mae (the GSEs) to ensure borrowers have access to homebuyer education and safe, affordable lending products. However, the current scoring models used by the GSEs fail to evaluate all factors that can accurately predict a potential borrower's ability to repay a loan.

When the *Economic Growth, Regulatory Relief and Consumer Protection Act (the Act)*, and the *Credit Score Competition* provisions contained in Sec. 310 of the Act were passed last year, our members were glad to see these move forward, in order to encourage more predictive and precise models to flourish and to expand opportunity in a fair and responsible manner to millions of consumer are currently boxed out of a credit score. We are motivated to write today regarding FHFA's proposed rule to implement these provisions, which fails to fulfill either the letter or the spirit of the law.

When Congress crafted and approved Sec. 310 (of S. 2155), *Credit Score Competition*, their intent was that FHFA would promulgate rules allowing for competition in 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, including the millions of consumers that are boxed out of a credit score when using the traditional model mandated by the GSEs.

Through our work with nonprofit housing and credit counseling agencies, we know there are viable competitors to the FICO Classic credit scoring model, which is the model currently required by Fannie Mae and Freddie Mac for mortgages they purchase from approved lenders. For example, VantageScore can score approximately 40 million people who are currently unable to obtain a credit score with the Classic FICO model using their Model

4.0. While many of these consumers will not be eligible for credit today, they also need to figure out their status so they can work towards becoming eligible for mainstream credit, and having access to other credit scoring models allow for that possibility.

However, there is a 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 – this 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, the two credit score models have been competing for 12 years in other credit sectors such as auto loans, student loans, credit cards, etc. with no examples of data access restriction or negative pricing impact. The anti-competition provision results in the perpetuation of a monopoly for FICO mandated by the GSEs in conventional mortgage markets. This must be eliminated from consideration, to allow competition and innovation in credit scoring models, and meet the needs of our constituents.

As enacted into law Sec. 310 is simple and straightforward, the implementation of its regulations should be as well.

Sincerely,



Kristi Luzar, Urban Economic Development Association of Wisconsin, Inc. (UEDA)
On behalf of Take Root Milwaukee

Resource & Oversight Committee:

Scott Bush, Greater Milwaukee Association of REALTORS®
Trena Bond, Housing Resources, Inc.
Lamont Davis, Community First
Gene Manzanet, U.S. Bank
Jessica Noth, Havenwoods Economic Development Corp.
Maria Prioletta, City of Milwaukee
Darlene Russell, Greater Milwaukee Foundation
Markita Jefferson, WHEDA
Amy Rohan, Riverworks Development Corp.
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