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OFFICE OF GENERAL COUNSEL

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Alfred M. Pollard
General Counsel
Federal Housing Finance Agency
400 Seventh Street, SW
Washington, DC 20219

RE: Validation and Approval of GSE Credit Score Models

Dear Mr. Pollard:

First Community Bank appreciates the opportunity to comment on the planned changes to the credit scoring system for loans originated by banks and sold to Fannie Mae and Freddie Mac. Our bank opened in Alice, Texas in 1983, and over the last 35 years has grown to $425 million in assets with twelve offices including our headquarters and Home Loan Center in Corpus Christi.

Our initial point is that the system currently in place which relies upon the industry standard FICO score is performing well as a reliable indicator of loan performance. Even during the mortgage crisis a decade ago, community banks and other prudent lenders were able to rely upon FICO scores as a dependable source of independent underwriting guidance for the sale of mortgages to Fannie Mae and Freddie Mac.

Under the proposal now out for comment, the secondary market agencies contemplate multiple credit scoring systems including at least one company advertising that it can "score approximately 40 million more consumers who cannot obtain scores from traditional scoring models." (www.vantagescore.com)

First Community Bank agrees with the position advanced by the American Bankers Association that any proposed changes to the current system must proceed very carefully. Again looking back to the last mortgage crisis, there can be little doubt that stretching borrower qualifications, no matter how well intentioned, can have unforeseen and very unfortunate consequences to borrowers as well as the public at large.

In our view, the preferred basis for making increased mortgage credit available, especially for low- and moderate-income borrowers, would be for the FHFA, CFPB and other federal regulatory authorities to ameliorate the Ability-to-Repay and Qualified Mortgage standards which needlessly impair the mortgage lending flexibility for all lenders.

In addition to the potential adverse economic impact of this plan, there are issue related to the cost impact on the mortgage finance system. Mortgage processing software will have to be altered which for almost all community banks means an outside contractor, software acquisition, legal review, policy revisions, employee retraining, etc.

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First Community Bank is committed to staying in the mortgage business as a local provider to the communities we serve. During my recent tenure, however, as Chairman of the Texas Bankers Association, I saw many examples during my travels around the state where the costs, complications and overregulation of the mortgage business has driven many institutions out of the mortgage business except as an accommodation to existing customers.

This is not to suggest that this particular new regulation would, in and of itself, have this effect but it is a cumulative process that is truly counterproductive to the public interest.

Thank you for taking our views under consideration.

Wes Hoskins
President/CEO