

VANTAGESCORE.

Barrett Burns, **President & CEO**

July 12, 2010

Alfred M. Pollard
General Counsel
Attn: Comments/RIN 2590-AA16
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552

Re: Federal Home Loan Bank Housing Goals

Dear Mr. Pollard:

VantageScore Solutions LLC would like to thank the Federal Housing Finance Agency (the "FHFA" or the "Agency") for the opportunity to comment on the proposed regulation setting forth housing finance goals for the Federal Home Loan Banks (together the "Banks"). We understand that these goals must be consistent with the housing goals established by FHFA for Fannie Mae and Freddie Mac (the "GSEs").¹

VantageScore agrees with the FHFA in their assessment of the importance of the objective of the housing goals to expand access to mortgage finance to low- and moderate-income families; and, as such, we are writing today to emphasize the role that VantageScore can play in helping to make that financing available. Also with this letter, we urge the FHFA to ensure that loans originated by creditors utilizing VantageScore in their underwriting are eligible for purchase by the Banks for the purpose of meeting the Banks' housing goals.

I. VantageScore Business Model

VantageScore is an innovative consumer credit risk score developed in 2005 by the nation's three largest credit reporting companies ("CRCs")² to meet market demand for a more predictive

¹ In a separate rulemaking, the Agency requested comment on the 2010-2011 housing goals for the GSEs. 75 Fed. Reg. 9,034 (Feb. 26, 2010). VantageScore submitted comments to this rulemaking.

² The three major CRCs are Equifax, Experian and TransUnion.

July 12, 2010
Page 2

credit scoring model. Unlike other credit scores, the VantageScore model applies the same algorithm to each of the three CRCs' data. As a result, credit score variances for an individual consumer, which can be a source of confusion for lenders and consumers, is significantly minimized. VantageScore's approach to scoring ultimately enhances lenders' abilities to make more insightful credit-granting decisions. The model also provides highly predictive credit scoring of "new entrants" and "insufficient credit users." These consumers are individuals whose insufficiently documented credit histories have rendered them largely unscorable under other commercial credit scoring models, which sometimes can result in their receiving subprime loans or falling prey to predatory lenders. This sizeable economic subgroup often faces tremendous difficulty obtaining credit at reasonable terms or prices despite the fact that a great many of them are creditworthy.

II. Housing Goals Rulemaking

The Safety and Soundness Act, as amended by the Housing and Economic Recovery Act, requires the Director of the FHFA to establish new affordable housing goals effective for 2010 and beyond. Given this directive, the FHFA is publishing this rulemaking to set the housing goals for the Banks in a manner that is consistent with the housing goals created for the GSEs.

We note that the Agency is setting these goals under challenging economic conditions. The adverse market conditions include: (i) tightened credit underwriting practices; (ii) sharply increased standards of private mortgage insurance companies; (iii) increased role of FHA in the marketplace; (iv) collapse of the private label mortgage-based securities market; and (v) increasing unemployment. These developments contribute to a decrease in the overall number of single-family loans likely to qualify for affordable housing goals credit.³

III. VantageScore is Uniquely Poised to Play a Key Role in This Marketplace

For the reasons discussed in detail below, we believe that VantageScore is uniquely positioned to play a key role in helping to make credit available to persons of low- and moderate-incomes.

VantageScore provides credit grantors with a reliable, predictive scoring solution. It is estimated that between 35 and 50 million adults, which is equivalent to 18 to 25 percent of the adult population, may be considered unscorable under many commercially available models. This results in a significant number who may be prevented from accessing credit or who may receive credit that is incorrectly priced because lenders are unable to leverage their standard decisioning strategies. Note that although we do not have data regarding how many of these unscorable

³ 75 Fed. Reg. 9,038 (February 26, 2010).

July 12, 2010

Page 3

borrowers are low-to-moderate income (because income is not a part of our model), we anticipate that there is significant overlap between the two populations.

VantageScore expands the trade update criteria from six months to 24, allowing VantageScore to score people who may have been "out of the credit market" for up to two years. Additionally, VantageScore will score consumers whose oldest trade is less than six months old. Our ability to better distinguish between consumers with a clear track record of unfavorable credit behaviors from those simply starting to develop credit histories is a significant advantage. Our model recognizes that a sparse credit history and/or its lack of alignment with data specifications of common scoring models is not necessarily a reflection of poor debt management behavior. As such, we are able to provide scores for the following:

- Young adults just starting their careers;
- Recently divorced or widowed individuals with little or no credit in their own name;
- Newly arrived immigrants;
- Previous bankrupts; and
- People who shun the traditional banking system by choice.

Simply put, VantageScore scores more people; and scores more people who likely would fall into the lower income brackets and whose loans would qualify to meet the Banks' affordable housing goals.

III. Conclusion

VantageScore Solutions would again like to thank FHFA for the opportunity to comment on the proposed regulation setting forth housing finance goals for the Banks. We believe that increased use of VantageScore by creditors will provide many creditworthy borrowers with access to credit, will assist the Banks in meeting their housing goals and will continue to be an overall benefit to the housing credit market. As such, we urge the FHFA to ensure that the Banks are able to purchase mortgage loans originated by creditors who utilize VantageScore in their underwriting. We believe that this type of affirmative acceptance by the Banks will serve the dual purpose of providing greater access to credit by low- and moderate-income borrowers, and aid the Banks in meeting their housing goals.

Respectfully,

