February 8, 2017

The Honorable Melvin Watt
Director
Federal Housing Finance Agency
Constitution Center
400 7th Street SW
Washington, DC 20219

Dear Director Watt:

On behalf of the undersigned organizations, we write regarding the various options that have been discussed with our organizations related to moving to and/or allowing either updated or alternative credit score models to be used by Fannie Mae and Freddie Mac ("the Enterprises") for conventional mortgage loans. As the Federal Housing Finance Agency ("FHFA") moves forward with evaluating new/alternative models, we request that FHFA engage more openly and broadly with industry through a public forum, provide relevant data and information from the Enterprises to help inform industry participants about the potential impact of new credit score models, and share your assessment of fair lending risks posed by contemplated changes. Finally, we urge the agency to adopt an implementation period of at least 24 months once there is a final decision regarding any new/alternative credit score model.

As noted in the FHFA's *2017 Scorecard for Fannie Mae, Freddie Mac, and Common Securitization Solutions*, the agency directed the Enterprises to "conclude assessment of updated credit score models for underwriting, pricing, and investor disclosures, and, as appropriate, plan for implementation."[1] Our organizations appreciate FHFA's work to increase transparency, marketplace competition, and access to credit for borrowers, but we request additional consultation with industry on potential options and the need for a longer implementation period when a final process on alternative credit scoring models is determined.

While some companies in our industries have received presentations by various credit score providers on possible impacts to mortgage credit availability for consumers, there is often competing information, and not all our organizations have been privy to these presentations. We would request that FHFA work with industry more broadly as it considers new/updated scoring criteria, and propose a joint meeting with our organizations where we will have the opportunity to learn more about the various options being considered by FHFA and have the opportunity to provide feedback directly to FHFA staff.

Further, one of the best means for understanding the potential impact of moving to an updated/alternative credit score model would be to reconstruct historical data using various updated and/or alternative models to determine the variances from the previous models. Not only is performing this historical review nearly impossible for many of our member companies, but it is duplicative and costly should they each try to perform this work separately. We

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[1] https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2017-Scorecard-for-Fannie-Mae-Freddie-Mac-and-CSS.pdf

understand that the Enterprises may have this data and we ask that industry be given a chance to review the information or the findings from this data prior to any decisions being made.

Finally, the agency has indicated a timeline of 18-24 months to implement any new/alternative credit score model. Our organizations firmly believe a longer timeframe for implementation is necessary and we urge the agency to adopt a lead time of at least 24 months. The implementation of a new credit score system is a major undertaking with wide-ranging implications for our business operations. As organizations that represent industries that have significant interests in seeing borrowers have prudent access to credit, the adoption and implementation of a new/alternative model presents lenders, mortgage insurers, and other mortgage market participants with opportunities to potentially serve more borrowers, but also presents challenges, as our industries will need to invest significant resources to transition to the new system.

Given the significant implications that the various options could have on borrowers and our industries, our associations urge FHFA to broaden the input from key industry participants to help reach the most suitable option to expand credit while promoting sustainable homeownership. In the coming weeks, we welcome the opportunity to further engage in person on this important matter and we appreciate your continued commitment to discussing developments and the implications of potential changes to the use of credit score models in mortgage finance.

Sincerely,

American Bankers Association
Community Home Lenders Association
Community Mortgage Lenders of America
Credit Union National Association
Housing Policy Council of the Financial Services Roundtable
Independent Community Bankers of America
Mortgage Bankers Association
National Association of Federally-Insured Credit Unions
U.S. Mortgage Insurers