

December 20, 2023

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

RE: Data Transparency/Publication

Dear Director Thompson,

On behalf of the American Bankers Association, Community Home Lenders of America, Credit Union National Association, Housing Policy Council, Independent Community Bankers of America, Mortgage Bankers Association, National Association of Federally-Insured Credit Unions, and U.S. Mortgage Insurers, we are writing to request that the Federal Housing Finance Agency (FHFA) release the analyses performed by FHFA, Fannie Mae, and Freddie Mac (the Enterprises) to assess various aspects of the credit scoring models – FICO 10T and VantageScore 4.0 – pursuant to the Validation and Approval of Credit Score Models Rule (12 CFR 1254.7) and the criteria stipulated in the Enterprise Credit Score Solicitation, as well as analyses conducted to support the shift to bi-merge reporting. Our organizations represent a wide range of housing finance stakeholders in both the primary and secondary mortgage markets, including lenders, servicers, mortgage insurers, all of which will be greatly affected by the proposed credit scoring changes. As such, we believe data analysis and modeling are imperative to a smooth and well-coordinated transition.

As a critical first step of the implementation process, we ask that FHFA provide its analysis as well as the data and findings from the Enterprises' comprehensive testing and assessment. Transparency into these analyses and assessment findings will greatly enhance and facilitate productive implementation planning discussions in FHFA's and the Enterprises' ongoing public engagement sessions. Moreover, transparency in the analysis of the proposed new scoring models will be critical to ensuring a smooth transition in the global fixed-income and credit risk transfer markets where credit scores are disclosed and considered in prepayment and loan performance analysis.

The final rule¹ establishing FHFA's process for the validation and approval of credit score models for use by the Enterprises requires that new scores be assessed in a variety of areas including but not limited to accuracy and reliability; fair lending; the impact of a Model on Enterprise operations and risk management; impact on industry; and competitive effects. Specifically, FHFA has stated that both models exceeded the required thresholds for accuracy, reliability, and integrity. Industry participants will now be tasked with performing independent analysis of the new scores to update systems and models, and more generally

¹ 12 CFR Part 1254

gain confidence surrounding the performance and impact of these new scores on a variety of business areas and needed regulatory approvals.

The results from the tests performed by the Enterprises would provide insight on how the new scores reflect a borrower's ability to repay, support the reliability and accuracy of how the scores perform through different economic cycles, and confirm the integrity and comprehensiveness of the data used to capture a borrower's credit history and calculate a representative credit score, all of which would be very valuable to stakeholders. It would also provide a sample framework for how FHFA and the Enterprises conducted their analyses and could also be used for supplemental support in gaining acceptance of these new models with regulators, rating agencies, and other oversight entities.

The testing performed by the Enterprises to evaluate fair lending risks and impacts largely seem to examine the effect of the new scores on various demographic groups. Fair lending concerns have been raised by several stakeholders, particularly as it pertains to the bi-merge requirement. Therefore, any data that provides insight into fair lending implications would again be very valuable to stakeholders as they begin to assess these regulatory risks.

Lastly, in adoption of the final rule, FHFA acknowledged the "importance of public understanding of the impact of, and confidence in, any new credit score models." While the *implementation* of new scores was outside of the scope of the proposed rule, FHFA stated that the agency would work with the Enterprises and "consider how to facilitate public understanding of any new credit score model, including the potential sharing of non-proprietary information, at the time a new credit score model is approved."²

We urge FHFA and the Enterprises to release the full scope of results from the Enterprises' testing as it would provide the industry with beneficial information that would aid in the preparation for implementation and enhance analysis that stakeholders will soon undertake. We believe that transparency in this area would help facilitate a smooth and effective implementation process that would minimize market disruption.

Thank you for your consideration of this issue. We appreciate the opportunity to provide feedback and we look forward to continuing to partner with you on this initiative.

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

² 84 Federal Register 41898 (August 16, 2019)