

July 11, 2016

Dear Representative:

The undersigned organizations are united in our belief that homeownership is an integral part of the American Dream that shouldn't be out of reach for low-income, rural and minority borrowers who lack access to traditional forms of credit. We respectfully request your support for the following pieces of legislation, which together, will responsibly expand mortgage credit for millions of hardworking Americans.

- **H.R. 4172, the "Credit Access and Inclusion Act of 2015" (Reps. Ellison (D-MN) & Fitzpatrick (R-PA))**
- **H.R. 4211, the "Credit Score Competition Act of 2015" (Reps. Royce (R-CA) & Sewell (D-AL))**
- **H.R. 123, the "FHA Alternative Credit Pilot Program Reauthorization Act of 2015" (Rep. Green (D-TX))**

A borrower's credit score is a critical access factor when trying to enter the housing market; with a poor score, or none at all, a borrower will struggle to obtain a mortgage loan or be faced with a higher priced loan. Yet millions of Americans, particularly minorities, immigrants, and people with modest incomes, may come from backgrounds that avoid debt, leading many to have little to no credit history. With new credit scoring models that incorporate additional predictive metrics and payment history, many of these "thin file" individuals would be able to obtain credit and enter the housing market. Additionally, by clearing the way for utility, telecommunication companies and rental histories to be reported for on-time payments to the credit reporting agencies, many of these individuals with little to no credit files would be able to access credit.

H.R. 4172, the "Credit Access and Inclusion Act of 2015" (Reps. Ellison (D-MN) and Fitzpatrick (R-PA))
More than 40 million "thin file" Americans have trouble accessing affordable credit. We are pleased that H.R. 4172 will help these individuals achieve the American Dream by amending the Federal Fair Credit Reporting Act to allow providers like gas, electric and telecommunication companies to report consumers' payment histories to credit reporting agencies. As a result, low- and moderate-income individuals would be able to access affordable and responsible financial products and services to build wealth.

H.R. 4211, the "Credit Score Competition Act of 2015" (Reps. Royce (R-CA) and Sewell (D-AL))
Currently, Fannie Mae and Freddie Mac require mortgage lenders to use an older scoring model in their automated underwriting systems, and/or in their pricing and product risk overlays (such as Loan Level Price Adjustment grids), that does not reflect more recent credit performance data. In addition, the scoring model currently in use doesn't take into account factors such as whether borrowers have paid their rent on time, something that some newer scoring models do. As a result, the GSEs are relying on models based on credit performance data from 1995 to 2000 that, by most estimates, unnecessarily excludes many qualified borrowers. Furthermore, more accurate credit scores may improve pricing for some borrowers.

This legislation would help many Americans, especially minorities and potential first-time homebuyers, achieve homeownership by instructing Fannie Mae and Freddie Mac to update their requirements so that lenders might be able to use both alternative models from new providers, as well as updated

models from the existing provider, provided the models are empirically derived and both demonstrably and statistically sound.

The continued reliance on an older credit score model by Fannie Mae and Freddie Mac raises the potential that the model's predictability could be diminished over time, presenting unnecessary risks to the GSEs and to the housing market. Using newer credit score models, and models from new providers, would provide for greater predictability and create needed competition in the market, thereby reducing credit risk for Fannie Mae and Freddie Mac.

H.R. 4211 provides a solid framework for updating and expanding credit scoring models in the mortgage market to ensure they reflect the most recent payment histories and widest array of data elements available. As the bill moves forward, it is important to ensure that any transition to newer models follows the establishment of operational standards to mitigate adverse selection and prevent model arbitrage (e.g., race to the bottom).

H.R. 123, the "FHA Alternative Credit Pilot Program Reauthorization Act of 2015" (Rep. Green (D-TX))
H.R. 123 would help many households achieve the American Dream. Specifically, it amends the National Housing Act to extend from 5 years to 10 years the pilot program to establish an automated process for providing alternative credit rating information for prospective borrowers who have insufficient credit histories. This is an extension of Section 2124 of the "Housing and Economic Recovery Act of 2008 (HERA)," which directed the U.S. Department of Housing and Urban Development (HUD) to create a pilot program at FHA to automate alternative credit rating information such as rent and utility payments. FHA has been a critical tool to expanding credit access for first-time as well as minority borrowers in America. By introducing this alternative path for FHA lenders, more consumers will be served responsibly by the market.

All of the legislative proposals listed above are not a "loosening" or "weakening" of lending standards; it is an acknowledgment that not all people come from the same backgrounds or practice the same financial activities. Simply put, new models and the reporting of on-time payments would bring credit scoring into the 21st century, and more fairly and accurately score millions of Americans.

Once again, we respectfully ask that you cosponsor H.R. 4172, H.R. 4211 and H.R. 123. Thank you for your consideration on this very important matter.

America's Homeowner Alliance
American Escrow Association
Asian Real Estate Association of America
Habitat for Humanity International
Leading Builders of America
Mortgage Bankers Association
National Association of Hispanic Real Estate Professionals

National Association of Home Builders
National Association of Real Estate Brokers
National Association of REALTORS®
National Urban League
Real Estate Valuation Advocacy Association
RESPRO
The Realty Alliance