June 22, 2023

Federal Housing Finance Agency
Office of the Director
400 7th Street, SW, 9th Floor
Washington, DC 20219

Re: Credit Score Policy Implementation Plan

Dear Director Thompson:

On behalf of the American Bankers Association, Center for Responsible Lending, Community Home Lenders of America, Consumer Bankers Association, Credit Union National Association, Housing Policy Council, Independent Community Bankers of America, Leading Builders of America, Mortgage Bankers Association, National Association of Federally-Insured Credit Unions, National Association of Home Builders of the United States, National Association of REALTORS®, National Housing Conference, Reinsurance Association of America, Securities Industry and Financial Markets Association, Structured Finance Association, and U.S. Mortgage Insurers, we appreciate the opportunity to provide stakeholder feedback in response to the Federal Housing Finance Agency's ("FHFA") announcement on March 23, 2023[1] of an implementation plan[2] for the adoption of the FICO 10T and VantageScore 4.0 credit score models, as well as the bi-merge credit reporting policy, by Fannie Mae and Freddie Mac (collectively "the Enterprises"). Our organizations represent a wide range of housing finance stakeholders and Enterprise counterparties in both the primary and secondary mortgage markets, including lenders, servicers, mortgage insurers, and consumer advocates. As such, our organizations have a direct interest in the impact of the credit score policy business decisions of the Enterprises, as well as the manner in which the credit score policies contribute to a competitive, equitable, and sound housing finance system.

We recognize FHFA's intent to recalibrate the credit scoring framework. However, the transition, as outlined, will occur in a multi-stage process that does not adequately address the far-reaching impacts, significant costs, and immense operational complexity of the policy changes. We write to urge FHFA to reformulate the proposed timeline to provide sufficient time and an adaptable structure that will permit stakeholder feedback to be considered and incorporated. A disciplined and orderly transition will minimize risk to the stability of the housing finance system.

We endorse the position expressed in your recent testimony before the House Financial Services Committee that the credit score model "transition timeline must be flexible enough to incorporate testing and unexpected events, but also efficient enough to ensure that consumers, the Enterprises, and others benefit …"[from the updated credit score models].[3] Based upon our review of the current proposed timeline we are concerned that the plan doesn't include sufficient time, flexibility, or detail to effectively execute this extraordinary effort. Further, the plan does not reflect an agile and iterative process to incorporate stakeholder feedback. To address this, we believe that the credit score policy implementation plan should be adjusted to include:

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[1] FHFA news release on credit score policy requirements from March 23, 2023.
[2] Fannie Mae and Freddie Mac Joint Implementation Plan
[3] Written Testimony of Sandra L. Thompson, before the House Committee on Financial Services

- A comprehensive, transparent, and iterative stakeholder engagement process;
- Robust data transparency, specifically including the release of long-term historical datasets for Classic FICO, FICO 10T, and VantageScore 4.0, that allow for analysis of the impacts of the changes and the design of new models to support the wide array of business functions that will be affected; and
- A recalibrated timeline that accommodates both data analysis and modeling as well as a stakeholder engagement process that considers the costs, complexity, consumer impact, and policy implications of the transition.

We believe that, if FHFA were to adopt these recommendations and adjust the implementation process accordingly, a well-coordinated and sensibly paced execution strategy could minimize disruption to the housing finance system. However, without a commitment from FHFA to make these adjustments, we have significant concerns about the current plan's risks to the housing finance ecosystem.

Overall, we suggest that any timeline of activities be developed subject to stakeholder engagement and be adaptable, "soft" timelines to accommodate future input. FHFA cannot fully anticipate the conclusions and observations that will arise from the stakeholder analysis of the historical data and should not rush to meet a firm deadline at the risk of creating widespread operational challenges. Already, we expect that one external complication that could affect the timeline is government agency adoption of the new scoring models. We anticipate that the Enterprises may need to advise the government lending programs, to assist with simultaneous policy updates to maintain existing underwriting pathways between programs. Without this type of coordination and concurrent adoption, there could be significant consumer confusion and operational backlog, should a prospective borrower change loan programs.

As your teams navigate these issues, our organizations would love the opportunity to meet with you – to the extent possible, jointly—to discuss our recommendations and concerns. As questions arise, please contact Matt Douglas at matt.douglas@housingpolicycouncil.org. Thank you for your consideration of this issue.

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U.S. Mortgage Insurers