



FOIA Request

Via Email: foia@fhfa.gov

7/31/2023

Sean Dent, Esq.
Principal Deputy General Counsel for Administrative Law
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20219

RE: FOIA Request Regarding Credit Scores— Enterprise Business Assessments

This request from the Housing Policy Council¹ (“HPC”) relates to information regarding the credit scoring models developed by Fannie Mae and Freddie Mac (the “Enterprises”) and approved by the Federal Housing Finance Agency (“FHFA”) pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act, PL 115-174, section 310 (2018). That provision amended the Fannie Mae and Freddie Mac charter acts and the FHFA’s governing statute to provide for the validation and approval of credit scoring models used by the Enterprises. FHFA promulgated a rule setting forth its role in validation and approval of the models at 12 C.F.R. § 1254 and for creation of a Business Assessment of such models by the Enterprises under section 12 C.F.R. § 1254.8, including FHFA review of such assessments. This request also relates to FHFA’s announcement of the Enterprises moving from tri-merge to bi-merge.

In accordance with the Freedom of Information Act (“FOIA”) (5 U.S.C. § 552) and FHFA’s FOIA implementing rule at 12 C.F.R. 1202, HPC submits the following request:

Requestor

Housing Policy Council
1220 19th Street N.W.
Washington, D.C. 20036-2464
202-589-1023

FOIA

This request is made under the Freedom of Information Act (5 U.S.C. § 552) and under the provisions of the FHFA’s FOIA regulation at 12 C.F.R. § 1202.

¹ The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers; mortgage, hazard, and title insurers; and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth building for families. For more information, visit www.housingpolicycouncil.org

FOIA Status

HPC is a 501(c)(6) trade association that compiles, evaluates, and analyzes information for a variety of purposes, including the development of technical and policy materials and information for submission to interested parties in matters relating to housing and housing finance. As a Requester, HPC fits within the category of “commercial use,” as defined in 12 C.F.R. § 1202.2.

Records Request

HPC requests certain records that were submitted to or created by FHFA under provisions of PL 115-174 (2018) and 12 C.F.R. 1202 and as otherwise directed by FHFA. More specifically, HPC requests copies of the following records:

(1) The Business Assessments provided by the Enterprises to FHFA as required at 12 C.F.R § 1254.8, including the following elements: (a) how new models relate to Classic FICO; (b) how FICO 10T compares with VantageScore 4.0; (c) how Enterprise policies and procedures will change (including effects on pricing and borrower eligibility); (d) potential impacts in the To-Be-Announced (“TBA”) and Credit Risk Transfer (“CRT”) markets and any countermeasures to address these impacts by FHFA or the Enterprises; (e) potential impacts on affordable housing programs; and (f) the expectations for lenders and insurers under a new framework.

(2) The final FHFA determination documents related to the validation and approval of credit scoring models used by the Enterprises, specifically including final FHFA evaluations, any final FHFA staff analysis memo, and FHFA approval documentation.

(3) The final FHFA determination documents related to the shift from requiring a tri-merge credit report to a bi-merge credit report, along with any final FHFA staff analysis memo, and FHFA approval documentation.

In addressing the three items above, HPC does not request any pre-decisional communications with the Enterprises or internal FHFA staff communications reflecting deliberations and inter-staff reviews of such Business Assessments.

The release of these records could be used by industry participants to: (a) examine the Enterprise and FHFA evaluation of the fair lending implications of the shift to two new models as well as bi-merge adoption; (b) consider the Enterprise and FHFA analysis of loan performance of FICO 10T and VantageScore 4.0, compared to classic FICO for the historical loan dataset over long periods of time with varying economic cycles; (c) analyze the consumer and lender impact, in terms of loan approval and pricing, associated with the move from the tri-merge to the bi-merge using classic FICO (once the calculation for a bi-merge FICO has been determined); (d) develop policy recommendations for the GSE instructions for lender selection of two CRAs for the bi-merge adoption as well as for future reliance on bi-merge with two scoring models and multiple borrowers and how to establish the most appropriate representative score; and (e) recalibrate models that support the various corporate activities that are affected by the changes, including pricing and investment systems, to accommodate the new methodology and scores.

Additionally, the release of the records associated with the Business Assessment produced by the Enterprises to FHFA by law and regulation would provide market assessment of: (a) the accuracy and

reliability of the models employed; (b) consumer and fair lending impacts; (c) effects on Enterprise operations and risk management as well as attendant impacts on the industry participants; and (d) competitive effects. Release of the Business Assessments also would provide participants in related market segments, specifically including portfolio, private label securities, and government insurers, the ability to assess the approved models using similar methodologies and information.

Records Production

HPC requests that records subject to this FOIA filing be provided via electronic transmission to Matt Douglas, HPC Vice President— Mortgage Policy at matt.douglas@housingpolicycouncil.org.

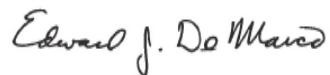
Agreement to Pay Fees

It is our understanding that the documentation we are requesting above is readily available and should require minimal time to produce. However, HPC understands that fees are required for production of documents under FOIA requests to FHFA and is willing to pay fees relevant to production of relevant documents up to \$1,000.

Prior to any such payments, HPC requests a determination whether FHFA will seek to withhold information based on a FOIA exemption related to the Records Request set forth above and based on provisions of FOIA and FHFA's FOIA regulation or any other basis.

Thank you for your prompt attention to this request.

Yours truly,



Edward J. DeMarco
President
Housing Policy Council