May 13, 2022

Ms. Sandra Thompson
Acting Director
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20219

Dear Acting Director Thompson:

On behalf of the American Bankers Association ("ABA"), the Housing Policy Council ("HPC"), the Independent Community Bankers of America ("ICBA"), the Mortgage Bankers Association ("MBA"), the Securities Industry and Financial Markets Association ("SIFMA"), the Structured Finance Association ("SFA"), and the U.S. Mortgage Insurers ("USMI"), we appreciate your leadership and engagement with the industry to date as you work to effectuate a potential transition to a new credit score model or models, pursuant to the Validation and Approval of Credit Score Models Rule, implementing Section 310 of the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 ("the Act"). As the Federal Housing Finance Agency ("FHFA") prepares to implement the Act, we write to request that FHFA provide additional data, a detailed transition plan that is subject to stakeholder input, and ample time for any transition. This request need not delay FHFA's decision regarding its review and approval of one or more credit score models, but instead would ensure that the transition to one or more new models is as smooth as possible.

Our organizations share your commitment to expanding fair access to sustainable credit for American families, and the consistent, deliberate approach to innovation that this will require. Much of this work extends beyond the scope of the decision in question, but in general, innovations in underwriting technologies that allow for the incorporation of new data sets and enhanced insights into the capacity of aspiring homeowners to sustain mortgage credit can play a meaningful role in achieving this broad goal. Our organizations and member companies are making investments with this goal in mind and stand ready to engage with you on how best it can be advanced.

As you know, many of our organizations and members raised substantive issues and expressed opinions about preferred outcomes in response to FHFA's December 20, 2017 request for information (RFI), in response to FHFA's December 13, 2018 proposed rule, during the March 1, 2022 listening session, or through other communications with FHFA. It is not our purpose to revisit those arguments here. Our aim, rather, is to align around principles for successful implementation of the framework ultimately chosen by FHFA.

Success requires that the market has an understanding of the credit score models, the processes that govern their use, and sufficient time to implement necessary system and process changes. Those putting their capital at risk originating, insuring, or investing in mortgages need adequate insight to project performance, as this capability is a core component of a highly liquid secondary mortgage market. This liquidity, in turn, translates into significant benefits for consumers in terms of lower mortgage costs and greater availability of credit, which we all wish to preserve and enhance. To advance these goals and achieve these outcomes, we urge FHFA to engage in careful communication and planning to maintain lender and investor confidence through the transition to any new score or system of scores.

We are mindful that FHFA and the Enterprises have been analyzing these models and options for years and have no doubt accumulated significant data on how the various models under consideration might perform in different scenarios. Other market participants, however, have not yet had the opportunity to review that data and perform their own testing and analysis. Market participants will need a significant amount of information regarding, among other things: how new model(s) relate to Classic FICO, how Enterprise policies and procedures will change (including effects on pricing and borrower eligibility), any steps to be taken by FHFA or the Enterprises to address potential impacts in the To-Be-Announced ("TBA") and Credit Risk Transfer ("CRT") markets, and the expectations for lenders and insurers under a new framework. Our aim is to avoid any adverse effects which might negatively impact consumers, particularly those at the margin of obtaining homeownership during a time of rising interest rates and affordability challenges.

FHFA and the Enterprises have sought stakeholder feedback on the potential transition to one or more new credit score models in several forums, and this dialogue should be continued and formalized as any transition is implemented. To promote a smooth transition for all impacted parties, FHFA and the Enterprises should afford stakeholders ongoing opportunities to provide detailed feedback on the implementation process, which ultimately will increase the likelihood of successful adoption.

We thus request that, after FHFA announces the results of its review and approval process, it provide market participants with as much of the data and analysis used in this review as feasible, a detailed transition plan that addresses the various substantive issues that have been identified by FHFA and by market participants, regular opportunities for stakeholder feedback on the transition plan, and, most of all, ample transition time. Naturally, the greater the change from the current framework, the greater the need for communication, data, and time. Together, we can ensure that we capture the full benefits of updating credit score models while minimizing any transition risks.

Sincerely,

American Bankers Association
Housing Policy Council
Independent Community Bankers of America
Mortgage Bankers Association
Securities Industry and Financial Markets Association
Structured Finance Association
U.S. Mortgage Insurers