May 13, 2024

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

Re: Release of Historical Credit Score Data

Dear Director Thompson,

On behalf of the American Bankers Association, Housing Policy Council, Independent Community Bankers of America, Mortgage Bankers Association, and U.S. Mortgage Insurers, we are writing in advance of the publication of the VantageScore 4.0 historical dataset that the Federal Housing Finance Agency (FHFA) announced plans to release early in the 3rd quarter of 2024.[1] Based on our understanding of what Fannie Mae and Freddie Mac (the GSEs) anticipate including in the release, our members have expressed concerns that the information will be insufficient to meet their data analytics needs.

We hope that by providing early, proactive, and constructive feedback to FHFA and the GSEs, there will be adequate time to augment the data made available in the planned 3Q 2024 data release as well as in any subsequent data release. Providing these additional critical data elements with the initial data release will allow our members to begin their analysis upon publication. It is important for the industry to be in a position to take this first step towards meeting FHFA's goal for a Q4 2025 implementation date for the VantageScore change (with FICO 10T concurrent or subsequent implementation presumed to be dependent on the timing of that dataset's publication).

<u>Reiterating the Importance of Historical Data at Various Points in the Economic Cycle</u>
It is our collective understanding that the VantageScore dataset will include information going back to 2013. Moreover, we understand that FHFA was comfortable approving VantageScore 4.0 for use by the GSEs based on limited historical data. Many industry participants have raised concerns about this, given that the data was generated during a time when the housing market was appreciating, and unemployment was declining to historic lows. Our members continue to believe that it is imperative to have credit reporting data "through the cycle" back to 2003 given the sensitivity of mortgage default and prepayment to origination credit scores.

The correlation between credit scores and mortgage performance has proven to vary significantly over economic cycles. Some industry participants have relayed the related concern that the use of

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[1] Federal Housing Finance Agency, 'FHFA Announced Key Updates for Implementation of Enterprise Credit Score Requirements" (February 29, 2024). Available at https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Key-Updates-for-Implementation-of-Enterprise-Credit-Score-Requirements.aspx

models calibrated to only the post financial crisis period would not likely meet prudential regulatory standards or internal requirements for model validation with which they must comply.

Specific Needs for VantageScore 4.0 and FICO 10T Historical Datasets

Since FHFA does not yet have a plan to provide "through the cycle" data to market participants, the importance of the data that will be released is heightened. To that end, our organizations strongly believe that the VantageScore 4.0 3Q 2024 data release (and the subsequent FICO 10T release[2]) needs to contain the following elements/clarifications:

- <u>Unrestricted Use of Data Contained in the Mortgage-Backed Security (MBS), Credit Risk Transfer (CRT), and Historical Performance Disclosures</u>
  It is our understanding that the VantageScore 4.0 dataset will not include the Classic FICO scores but rather will instruct users to obtain that information from MBS, CRT, and Historical Performance Disclosures (collectively "the Disclosures"). Currently, the Disclosures prohibit using the data for developing, analyzing, or calibrating models (among other restrictions), which prevents users from comparing the accuracy of the new scores' performance and accuracy to that of the Classic FICO, since the origination and updated Classic FICO scores are contained in the Disclosures.[3]

  In order to allow users to conduct the necessary modeling and comparison of the new credit scores to Classic FICO, the GSEs must provide a legally binding waiver of these restrictions or provide a separate database with exactly the same set of fields as are currently available in each of the Disclosures, but that is not subject to the unworkable contract terms. In particular, our members believe that the refreshed credit scores that are currently published in CRT disclosures are critical to their modelling work.

- <u>Sufficient Data to Evaluate Impact of New Representative Score Calculation</u>
  The data must include each Bureau score with the bureau identified by name.[4]

- <u>Sufficient Detail to Evaluate Accuracy and Fair Lending Analysis of Bi-Merge Combinations</u>
  o Calculated debt-to-income (DTI) or total debt for each bi-merge combination of bureaus, with the bureaus identified by name.[5]

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[2] Care should be taken to provide the technical ability to match the VantageScore 4.0 dataset to the future release of a FICO 10T dataset. The ability to map each score into mortgage performance statistics and to map between the scores will be essential to market acceptance.

[3] For example, the current Fannie Mae CRT Click-Through Usage Agreement Dated as of October 20, 2017, prohibits the use of Updated Credit Scores for "model validation, model benchmarking, or model calibration." These restrictions are unworkable for this project. Freddie Mac's <u>disclosure</u> has similar problematic language.

[4] If bureau names are anonymized, the proxy used to identify each bureau must remain constant through all datasets (i.e. TransUnion's score would always be "A")

[5] If that is not possible, a reasonable alternative would be: 1) Provide the total balance outstanding for each borrower on the loan for each bureau with the bureau identified by name. Provide a breakdown of the outstanding balances by these categories: Real estate debts, installment debts, revolving debts, other debts; 2) Provide the total qualifying income on the loan. This is the denominator of the DTI ratio; and 3) For refinance transactions, the Unpaid Principal Balance (UPB) of the mortgage being paid off and other debts being paid off in the transaction.

o It also must include the number of tradelines and number of 30, 60, and 90+ day lates reported for each borrower for each trade line and each bureau, with the bureaus identified by name or consistent proxy and the tradelines grouped by tradeline type (e.g. mortgage, auto, bankcard, etc.).

Additionally, it would be beneficial for our members' analysis for the GSEs to provide the "swap-in and swap-outs" for all possible loans which would now be approved (or were previously approved and now declined) through the Automated Underwriting System (AUS) as a result of adoption of the new scoring models. At a minimum, we request the "swap-outs," as has historically been done with changes to Fannie Mae's Desktop Underwriter (DU) that impact Private Mortgage Insurer Eligibility Requirements (PMIERs).

Lastly, while we continue to work through the challenges associated with analyzing the VantageScore 4.0 dataset, it would be helpful for the GSEs to provide a sample dataset before the 3Q2024 full release. This would provide the opportunity to identify and address any additional gaps or systemic issues before the historical archives are available.

These recommendations for additional data are critical to the successful implementation of the VantageScore 4.0 and FICO 10T credit score models as well as the bi-merge credit reporting policy. For this reason, we also recommend the delay of any scheduled data release until these recommendations can be accommodated. While we are certainly committed to working with FHFA and the Enterprises on this project, it is also critical that FHFA understand and consider the broader implications and potential negative impacts on the pricing of mortgage credit if industry stakeholders are unable to obtain the data necessary to complete their analysis.

As your teams navigate these issues, our organizations would welcome the opportunity to meet with you – to the extent possible, jointly—to discuss our recommendations and concerns. Please have your staff contact Matt Douglas at matt.douglas@housingpolicycouncil.org with any questions or to arrange further discussion. Thank you for your consideration of these recommendations.

American Bankers Association
Housing Policy Council
Independent Community Bankers of America
Mortgage Bankers Association
U.S. Mortgage Insurers

	GSE Credit Score Historical Data Release Feedback	
	Single Family Mortgagee Letter - Payment Supplement	

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	Additional Date Request Number	**Feedback**
	1	FICO Classic data contained in the Disclosures (CRT, MBS, and historical data) should be appended with sufficient data to allow for evaluation of new representative score data for both tri-merge and bi-merge options, or a separate dataset with all information should be published separately. Options include: 1. Provide all FICO Classic credit scores for each point in time for all borrowers on the loan, by bureau (A, B, and C); OR, 2a. The representative score using the existing methodology for i) tri-merge (applicable to post-origination data points); and, ii) each of the 3 bi-merge combinations (with consistent bureau namings, e.g., A, B and C); AND, 2b. The representative credit score using the new methodology for each point in time for i) tri-merge; and, ii) all 3 bi-merge combinations (with consistent bureau namings, e.g., A, B and C) *Note: The above request is to substitute for the data release initially planned by FHFA Playbook (ex: September 2023 Playbook Timeline, page 7, showing a Q4 2023 release). Additionally, this will address the insufficient data issue that exists on current refreshed credit scores in the Disclosures that contain only a single bureau score (vs. tri-merge or individual borrower scores).*

	2	On the request for 30/60/90-day lates included in the letter, we would also like to see the total number of open tradelines reported by each bureau for the same point in time (even if no late exists).
	3	Total utilization rates for both revolving and installment trades at time of loan origination (for all 3 bi-merge combinations).
	4	Number of inquiries for each of the last 6 months, last 12 months, and last 24 months (at time of loan orignation for all 3 bi-merge combinations).
	5	Bureau-specific anonymized consumer identification numbers to allow the organizations to independently engage the bureaus for additional anonymized data.
	6	Scores generated from archives should be tagged with the archive date(s) to provide the time gap to the origination data. Additionally, each model should specify which version of the model the score came from.
	7	For organizations relying in part or in whole on their own loans for modeling, loan level identifiers that allow them to link to MBS/CRT/Historical Datasets should be provided, together with language changes that lifts the restriction against doing so.