



N C B A N K E R S

NORTH CAROLINA BANKERS ASSOCIATION

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March 20, 2019

Alfred M. Pollard, Esq.
General Counsel
Federal Housing Finance Agency
Eighth Floor
400 Seventh Street, SW
Washington, DC 20219

RE: RIN 2590-AA98: Validation and Approval of Credit Score Models by Fannie Mae and Freddie Mac

Dear Mr. Pollard:

On behalf of the North Carolina Bankers Association, thank you for this opportunity to provide comments on a proposed rulemaking. The proposed rule would establish a new process for validation and approval of credit score models by Fannie Mae and Freddie Mac. We urge caution and have concerns about the new approach.

The move from a FICO score, which is the current GSE and industry standard, to instead the use of a multi-score approach will be costly and complicated for the mortgage industry. We recommend that any change occur only after a detailed cost-benefit analysis that looks at industry costs (such as new software, training, and record-keeping requirements), the ability of vendors to reasonably meet new deadlines, and the costs to those groups who continually educate consumers about credit scoring.

The current FICO model has been a good indicator of loan performance for three decades. There are claims now that new credit scoring models could qualify millions of additional mortgage borrowers. However, we should not identify eligible borrowers by lowering credit standards. We should also be cautious about credit reporting agencies promoting market adoption of a credit scoring company which they jointly own.

Any approach should first look at pilot testing to reduce the costs and risks associated with a new credit scoring model. A robust pilot testing approach could be executed without upending the many facets of the existing mortgage industry. Additionally, any new model should be sufficiently distinct in its numbering system, while also consistent across the layers of the GSEs, brokers, lenders, and others, so that it is not confusing for consumers and industry participants.

If an overarching goal is expanding credit availability in a prudent manner, then incorporating bank data into existing credit scoring algorithms would be one way to drive innovation. This also can be considered as part of pilot testing.

We appreciate the opportunity to submit these comments and encourage FHFA to continue to carefully analyze these issues. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Nathan R. Batts". The signature is written in a cursive style with a clear, legible font.

Nathan R. Batts
Senior Vice President and Counsel