ICBA
INDEPENDENT COMMUNITY BANKERS of AMERICA®



July 24, 2019

The Honorable Mark Calabria
Director
Federal Housing Finance Agency
Constitution Center
400 7th St., SW
Washington, D.C. 20024

Re: Validation and Approval of Credit Score Models

Dear Director Calabria:

The Independent Community Bankers of America (ICBA) [1] wishes to congratulate you on your recent appointment as the Federal Housing Finance Agency's (FHFA) director. We look forward to working with you as you continue to advance housing finance reform that prioritizes safety and soundness while safeguarding community banks' access to the secondary market and the government sponsored enterprises (GSEs).

Last year, FHFA issued a proposed rule that would implement Section 310 of the Economic Growth, Regulatory Relief and Consumer Protection Act, allowing for the validation and approval of new third-party credit score models for the GSEs. As articulated in ICBA's comment letter[2], it is vital that any new model does not disrupt the industry or bring about onerous and disproportionate implementation costs for the smaller institutions that comprise our membership. Moreover, we want to reiterate that any new credit score model should not be

[1] *The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.*

[2] https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-regulators/19-03-21_fhfaltr.pdf?sfvrsn=6354317_0

owned or controlled by a consumer data provider, as that would represent a conflict of interest and no longer guarantee that a credit score model developer is independent from consumer data providers. We respectfully ask that this provision stay in place when you enact the final rule.

ICBA is fully supportive of the idea that market competition is imperative for a functioning world economy, and this remains true in aspects of housing finance and, more specifically, the vetting of new, innovative credit score models. Indeed, community banks are forward-thinking as they promote new innovations in the credit risk tools they utilize to enable enhanced access to credit, while upholding safety and soundness. Such innovation and competition are allowed for by the independence provision and pilot program sections of the rule.

When a consumer data provider owns and controls a GSE-approved credit scoring model, it undermines competition and innovation creating a conflict of interest. Without the independence provision, a handful of data suppliers can vertically integrate while unfairly pushing out competition, regardless of the quality and accuracy of their models.

ICBA appreciates your and FHFA's continued hard work in effecting change in the housing finance sphere in meaningful ways that do not unnecessarily burden community banks that depend on the GSEs to meet their customers' needs for residential mortgages. In your final rule we ask that you not only consider the cost and disruption of additional credit score models, but also the importance of leaving the independence provision in place.

Sincerely,

/s/

Ron Haynie
Senior Vice President, Mortgage Finance Policy