



March 28, 2018

The Honorable Melvin Watt
Director
Federal Housing Finance Agency
Office of Housing and Regulatory Policy
400 Seventh Street, SW, 9th floor
Washington, DC 20219

Re: Credit Score Request for Input published December 20, 2017

Director Watt,

We thank you for the opportunity to respond to the Credit Score Request for Input, published December 20, 2017. The Federal Housing Finance Agency (FHFA) is evaluating the use of alternative credit scoring models by the Enterprises (Fannie Mae and Freddie Mac) for underwriting applications for single family mortgages. The National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) greatly appreciate the effort of FHFA to promote access to mortgages for qualified borrowers through the evaluation of existing practices. While FHFA's request is aimed at improving credit scoring models with homeownership in mind, the issue of allowing renters the ability to build a financial profile that allows them to attain the many benefits that come with it must also be considered.

Historically, credit reporting agencies did not capture a complete picture of the financial performance of renters. Existing credit scoring models, that impact applications for mortgages, apartment leases, car loans or other debt instruments, often do not accurately reflect the creditworthiness of renters.

In fact, in a study released in 2015 by the Consumer Financial Protection Bureau, over 45 million consumers were either credit invisible or were unscorable by existing credit models.¹ This disparity has drawn the attention of the financial industry who began to seek ways to incorporate more financial data into credit decisions. As an example, as part of the 2015 and 2016 Enterprise Scorecards FHFA required the assessment and implementation of the ability to evaluate and underwrite a mortgage when a borrower does not have a credit score. In 2013, Experian rolled out Rent Bureau, a credit reporting system targeted to the multifamily industry whereby apartment owners can voluntarily report rental information for its residents.

Today more credit reporting agencies and central data aggregators are collecting alternative data such as rental payments, medical payments, utility payments and other payment records. The industry has migrated towards collecting the required information

¹ Data Point: Credit Invisibles, The CFPB Office of Research, May 2015, page 6

to create a deeper financial picture of the broader population. The limitation that remains today is that the most widely used credit scoring model- FICO Classic- does not incorporate this additionally reported data.

Credit scoring models are evolving to include this new data as well as to update their existing algorithms for evaluating credit decisions as shown in this RFI that evaluates FICO 9 and VantageScore 3.0. We applaud this movement as it will improve and inform credit decisions regarding renters who may have been credit invisible, unscorable or whose payments may not have been recognized previously in existing credit scoring models.

NMHC\NAA recognize that the use of credit scoring models is not restricted to home loan applications and that they are used for credit decisions broadly across the economy. As such, FHFA and the Enterprises play an important but limited role in determining the broad adoption of alternative credit scoring models for these other credit decisions. However, the Enterprises adoption of the use of credit reporting and scoring models that incorporate a broader and more complete financial picture for potential borrowers will provide a strong leadership signal to the finance markets.

NMHC\NAA endorse the adoption of a framework that uses new reporting and scoring models incorporating renter payment data but leave the decision as to which model or models to use up to FHFA and the Enterprises.

If you have any questions, please contact David Borsos (NMHC) at 202-974-2336.

Sincerely,



Doug Bibby,
President
National Multifamily Housing Council



Robert Pinnegar, CAE
President & CEO
National Apartment Association