



November 12, 2021

The Honorable Sandra Thompson  
Acting Director  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, DC 20024

Dear Director Thompson:

On behalf of the National Taxpayers Union, the nation's oldest taxpayer advocacy organization, I write first to offer our appreciation for your leadership during this time of transition for the Federal Housing Finance Agency. NTU has a particularly proud history of working with FHFA on a number of issues as it relates to the safety and soundness of its regulated entities, Fannie Mae and Freddie Mac. We believe FHFA is an integral part of the federal government when it comes to ensuring the protection of taxpayers, homeowners, competition and private markets. NTU stands ready to work with you and your staff on the pressing issues facing taxpayers, even if we may have differences of opinion on some matters.

Since 2010, NTU has offered our analysis, feedback, and support to many different topics ranging from Credit Risk Transfers to Pilot Programs, from Capital Levels to Transparency problems. In recent years, however, NTU has played a prominent role in the issue of credit reporting and scoring, and how sound reporting is critically important from a taxpayer perspective. The use of credit reports is far-reaching and is the foundation of this country's robust and competitive consumer credit market. Most, if not all, lenders rely upon credit history data found in credit reports to identify and evaluate potential risks a consumer may pose before entering into a financial relationship with that consumer.

In late 2018, FHFA issued a proposed rule on the "Validation and Approval of Credit Score Models by Fannie Mae and Freddie Mac," in response to a congressional directive in the "Credit Score Competition Act." An NTU-led coalition praised FHFA for issuing "standards for compliance, which sets forth several factors that must be considered in the validation and approval process, including the credit score model's integrity, reliability, and accuracy, its historical record of predicting borrower and credit behaviors, and consistency of any model with GSE safety and soundness."

We also applauded the FHFA's call for sound cost-benefit analysis in evaluating new models in the rule and building in conflict-of-interest guardrails which are standard in other regulatory spheres. While we are disappointed that proposed language specifically prohibiting "an Enterprise from approving any credit score model developed by a company that is related to a consumer data provider through any common ownership or control, of any type or amount" was dropped in the final rule, we appreciated FHFA's focus on maintaining and promoting true and fair competition in the credit scoring space.

As you move towards the approval stage of the process, we urge you to stand by the principles FHFA established during the rulemaking process, avoid imposing undue burdens and costs to the system, and focus on

the best interests of consumers and taxpayers. As we pointed out in our 2019 NTU Paper, [\*Risky Road: Assessing the Costs of Alternative Credit Scoring\*](#), which we submitted to FHFA as part of the RFI process, there are significant costs associated with adding multiple scores to the system without sound economic justification – costs that could ultimately be borne by consumers, who could see mortgage costs rise as lenders seek to offset the heavy transition costs of a more expensive system.

We applaud you for the patient work you have done and the data-driven approach you have taken during this process. Taxpayers have a significant stake in the housing finance market and FHFA must do everything in its power to ensure that taxpayer risk is mitigated to its fullest extent. We thank you and your staff for your diligence in writing this rule and faithfully following established procedures.

We would also appreciate an opportunity to meet with you and your staff on any of the aforementioned issues that are impacting the GSEs, taxpayers, and the private market. Please do not hesitate to reach out to our organization if we can be of any assistance or guidance.

Sincerely,

Thomas Aiello  
Director of Federal Affairs