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August 31, 2009

By Electronic Delivery

Federal Reserve Board
Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

Re: Procedures to Enhance the Accuracy and Integrity of Information
Furnished to Consumer Reporting Agencies Federal Reserve Docket No. R-1300

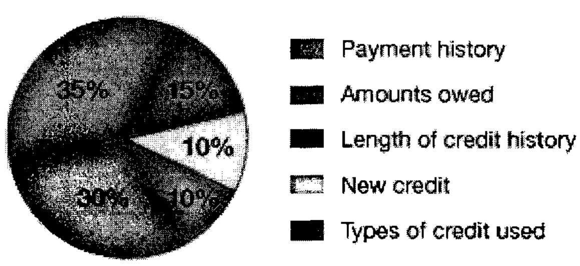
Ladies and Gentlemen:

This comment letter is submitted on behalf of Fair Isaac Corporation in response to the advance notice of proposed rulemaking ("Advance Notice") and request for public comment by the Federal Reserve Board, and other Agencies, published in the Federal Register on July 1, 2009. In the context of the Fair and Accurate Credit Transactions Act of 2003 ("FACT Act"), the Board requests comment concerning procedures to enhance the accuracy and integrity of furnisher information. Fair Isaac appreciates the opportunity to comment on this important matter, particularly as it relates to the effect accurate reporting has on the FICO® credit score.

Fair Isaac Comments:

FICO is submitting the following to assist the Board and other Agencies in their consideration of the proposed rules.

FICO® scores are calculated from five categories of credit data in a consumer's credit report. The chart below illustrates the importance of each category for the general population. These percentages may vary for particular groups—for instance, people who have not been using credit long.



Account open date information within a consumer's credit report is predominantly considered in the Length of Credit History and New Credit categories and provides valuable contribution to predicting future credit risk. In general, analysis continually shows that having a longer and more established credit history correlates to lower future risk and that the recent acquisition of new credit correlates to future higher risk. The exact impact on score, however, will vary depending on all of the information contained in a consumer's credit report.

There are numerous characteristics in the FICO score where the account open date is leveraged. The score can consider the age of the oldest account on file, the age of the most recently opened account, an average age of all of the accounts on file, how long it has been since a new account was opened, how many new accounts have been recently opened, etc.

Additionally, the *account open date* information is a factor used to determine whether or not a consumer is eligible for a FICO score to be generated. A consumer needs to possess at least one credit obligation that is at least six months old among other criteria in order for a FICO score to be generated. If the *account open date* is not provided, there could be scenarios where a FICO score would not be generated and returned.

Are characteristics leveraging the *date opened* information predictive?
FICO research consistently shows that consumers with longer credit histories have better repayment risk than those with shorter credit histories. Also, consumers who frequently open new accounts have greater repayment risk than those who do not.

- **Figures 1 and 2** show the distribution and risk pattern of the "Age of Oldest Credit Obligation" variable based on a nationally representative sample of depersonalized records as of April 2008.

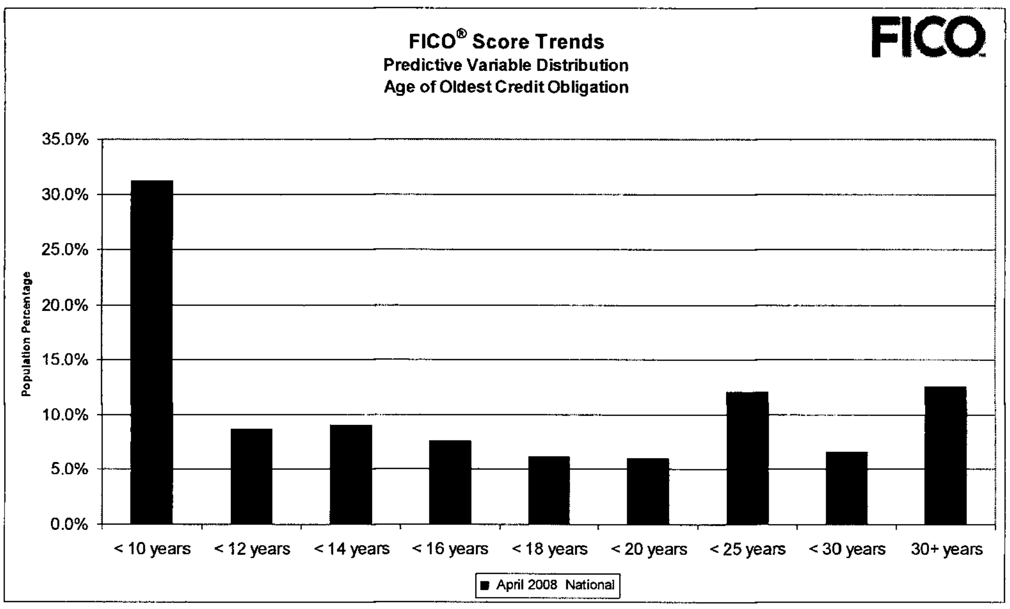


Figure 1 illustrates the distribution of the US population as of April 2008 by Age of Oldest Credit Obligation. Approximately 13% of consumers have their oldest credit obligation being reported as opened for 30 or more years. On the other end, approximately 31% of consumers have their oldest credit obligation being opened in the most recent 10 years.

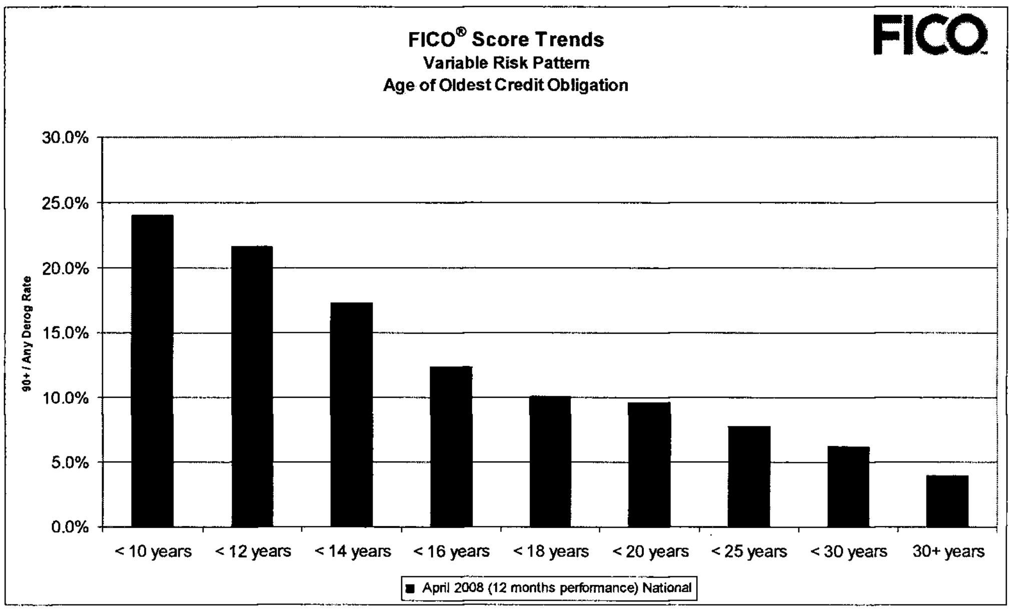


Figure 2 shows the delinquency rates on these populations over a twelve-month period. The data clearly shows that consumers with a longer credit history (as measured by age of oldest credit obligation) are less risky, as reflected by lower bad rates (90 days or more delinquent on credit obligations within twelve months after score date).

- **Figures 3 and 4** show the distribution and predictive value of the "Number of Credit Obligations Opened in most recent 12 months" variable based on a nationally representative sample of depersonalized records as of April 2008.

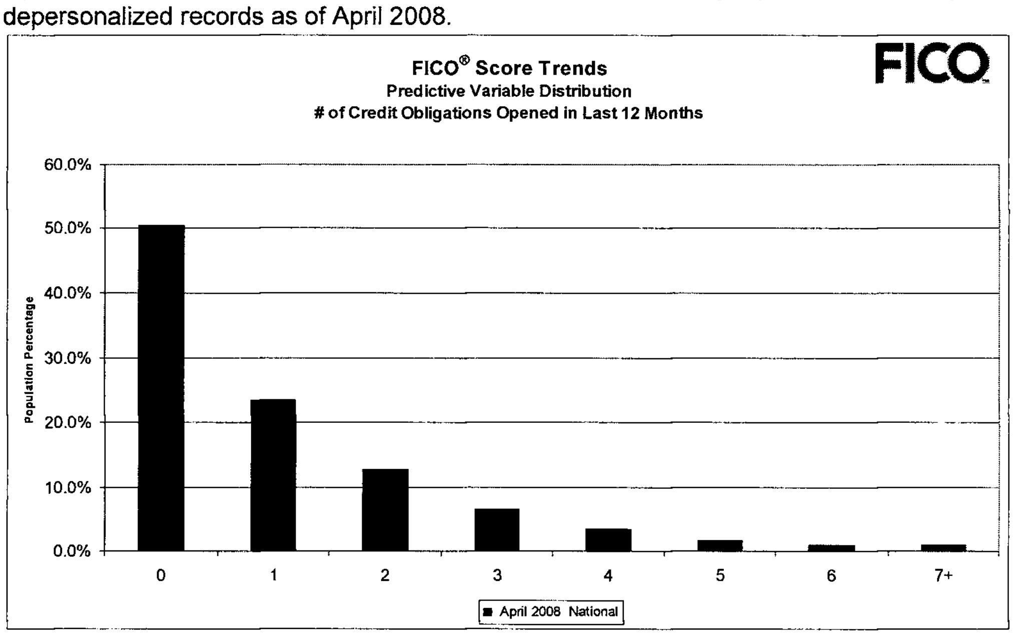


Figure 3 illustrates the distribution of the US population as of April 2008 by the number of credit obligations opened in last 12 months. More than 50% of consumers have not opened a new credit obligation in the most recent 12 months. Approximately 27% have opened two or more new credit obligation in the past 12 months.

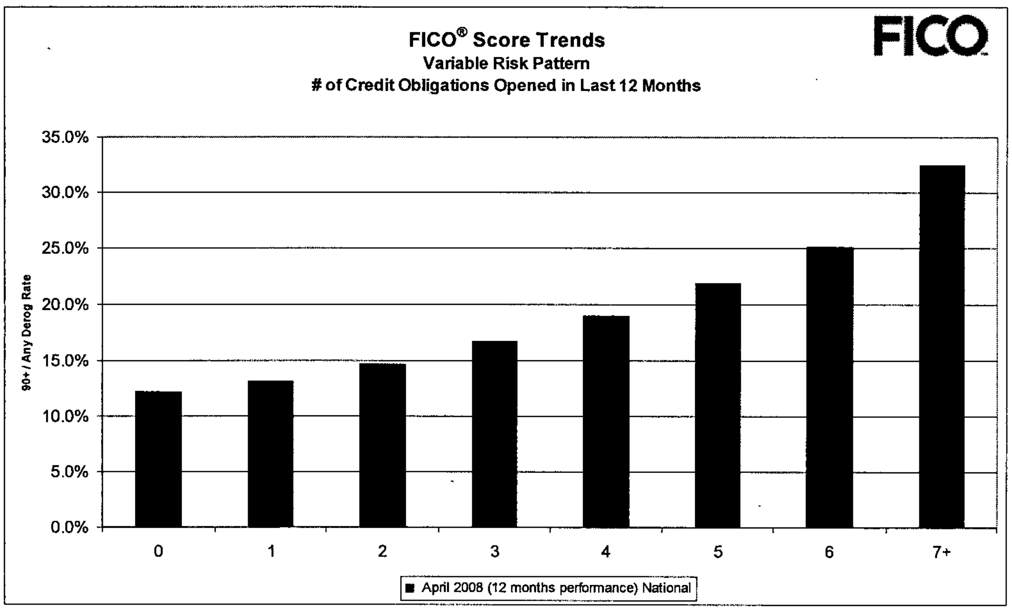


Figure 4 shows the delinquency rates on these populations over a twelve-month period. The data clearly shows that consumers with a greater number of recently opened credit obligations represent greater future risk, as reflected by higher bad rates (90 days or more delinquent on credit obligations within twelve months after score date).

The research results shared in this communication support the position that *account open date* information can be leveraged in credit scoring models to enhance the model's ability to more effectively identify those consumers more likely to pay as agreed versus those more likely of future credit risk. Holding all other conditions constant, the removal of such information would have material impact on a credit score's ability to optimally rank-order future credit risk.

FICO appreciates the opportunity to comment on this important matter. FICO supports the position that full, complete, and accurate reporting of credit information provides the foundation for optimal risk assessment via credit scoring systems. If you have any questions concerning these comments, or if we may otherwise be of assistance in connection with this matter, please do not hesitate to contact me, at 415-491-5142.

Sincerely,

Thomas J. Quinn

Thomas Quinn
Vice President
FICO