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VantageScore

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The Honorable Shaun Donovan
Secretary of Housing and Urban Development
Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, DC 20551

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

The Honorable Mary Jo White
Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

The Honorable Thomas J. Curry
Comptroller of the Currency
400 7th Street, SW
Washington, D.C. 20219

Edward DeMarco
Acting Director
Federal Housing Finance Agency
400 7th Street, SW
Washington DC 20024

Dear Madam and Sirs:

As you continue the challenging task of crafting a definition of a "qualified residential mortgage" ("QRM ") it will be essential that any definition include a consideration of credit risk. I would simply like to remind you of comments we submitted in on July 15, 2011 in response to the Notice of Proposed Rulemaking (RIN # 2590-A43). In that letter I wrote:

> ... VantageScore not only agrees with the Agencies but also strongly supports the interagency task force's starting premise as stated in the Notice of Proposed Rulemaking ("NPR"), which states that:
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> > *In developing the proposal, the Agencies carefully considered how to incorporate a borrower's credit history into the standards for a QRM. The Agencies are aware that credit scores are used often by originators in the loan underwriting process.* ***However, the Agencies do not propose to use a credit score threshold as part of the QRM definition*** *because such a standard would require reliance on credit*

scoring models developed and maintained by privately owned entities and such models may change materially at the discretion of such entities. There also may be inconsistencies across the various credit scoring models used by consumer reporting agencies, as well as among different scoring models used by a single provider. Consequently, in order to ensure that creditors continue to choose among different credit score providers, the Agencies would have to determine a cutoff score under multiple scoring models and periodically revise the regulation in response to new scoring models that might arise."

76 Federal Register 83 at 24121; emphasis added

As someone vitally interested in the restoration and maintenance of a strong and fair mortgage market, I have frequent opportunities to speak before and with others who are not only following but have a vital interest in this rulemaking proceeding, and I continue to hear voices advocating that credit quality be an integral part of the QRM definition. Should you follow that path, I would encourage you to remain committed to the fundamental premise contained in the NPR and "not propose to use a credit score threshold as part of the QRM definition." As I noted in my July 15, 2011, comment letter the risk associated with credit scores is not static but dynamic; it can and does change over time just as the value behind a dollar fluctuates and changes over time. Quoting once again my comment letter:

> *... should the Agencies decide to incorporate a minimum credit score value as part of the definition of QRM, then that value would be based only on the corresponding risk level present at the time the regulation is drafted. To remain accurate, the risk level would need to be revalidated every year. The results of the revalidation are likely to reveal the shift in risk and thereby require that the regulation be rewritten every year to inform the market about the new credit score minimum.*
>
> *Should the Agencies decide that it is necessary to include a specific level of risk as part of the definition of a QRM, a solution is to avoid naming a credit score value, and rather, name a maximum* ***propensity for default****. While lenders' appetites for risk often fluctuates with market conditions, this maximum* ***propensity for default can be written into the regulation today and remain constant over time****.*
>
> *Under that scenario, lenders can use their credit score model of choice to measure compliance with the maximum propensity of default for loans designated "qualified residential mortgage" provided that the credit scoring methodology meets already established federal requirements to qualify as a sound credit score model. This solution avoids ... the need to revisit the regulation every year because of shifting levels of risk associated with those values.*

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As we did in our letter of July 2011, VantageScore continues to urge you to incorporate into the final rule the premise stated in the Notice of Proposed Rulemaking and refrain from using a credit score threshold as part of the QRM definition.

Thank you for considering these thoughts as you move forward with this important rulemaking proceeding. If you have any questions or would like additional information don't hesitate to contact me at (203) 363-2161 or by email at BarrettBurns@vantagescore.com.

Sincerely,

Barrett Burns

President & CEO