

Fair Isaac Corporation
901 Marquette Avenue, Suite 3200
Minneapolis, MN 55402
+ 1 612 758 5200 *phone*
+ 1 800 999 2955 *US toll free*
www.fairisaac.com



Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
via e-mail: comments@FDIC.gov
RE: FDIC RIN 3064—AC99

Jennifer J. Johnson, Secretary,
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue NW
Washington, DC 20551
via e-mail: regs.comments@federalreserve.gov
RE: Federal Reserve Docket No. R—1250

Federal Trade Commission
Office of the Secretary
Room 159-H (Annex C),
600 Pennsylvania Ave. NW
Washington, DC 20580
via e-mail:
<https://secure.commentworks.com/ftc-FACTAfurnishers>
RE: FTC "Procedures to Enhance the Accuracy
and Integrity of Information Furnished to
Consumer Reporting Agencies – Project No.
R611017"
Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 1-5
Washington, DC 20219
via e-mail: regs.comments@occ.treas.gov
RE: OCC Docket Number 06—04

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
via e-mail: regcomments@ncua.gov
RE: Fair Isaac Comments on Advanced Notice
of Proposed Rulemaking Part 717, Fair Credit
Reporting – Procedures to Enhance the
Accuracy and Integrity of Information Furnished
to Consumer Reporting Agencies
Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington DC 20552
Attention: 2006-06
via e-mail: regs.comment@ots.treas.gov
RE: OTS No. 2006—06

RE: Interagency Advance Notice of Proposed Rulemaking: Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies Under Section 312 of the Fair and Accurate Transactions Act

**Federal Deposit Insurance Corporation RIN 3064—AC99
Federal Reserve System Docket No. . R—1250**

Federal Trade Commission Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies – Project No. R611017
National Credit Union Administration Fair Isaac Comments on Advanced Notice of Proposed Rulemaking Part 717, Fair Credit Reporting – Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies
OCC RIN 1557-AC95, Docket No. 06-04
OTS RIN 1550-AB98, No. 2006-06

Ladies and Gentlemen:

Fair Isaac Corporation (“Fair Isaac”) is pleased to submit comments in response to the Advance Notice of Proposed Rulemaking (“ANPR”) issued by the Agencies requesting comments to assist the Agencies in proposing the furnisher guidelines and regulations required under section 623 of the Fair Credit Reporting Act (“FCRA”).

Fair Isaac commends the Agencies for taking an important step toward improving the accuracy and integrity of information that is furnished to consumer reporting agencies (“CRA”), while considering the burdens and impacts this could create for CRAs, lenders, data furnishers and vendors involved in the use of credit data and other consumer information. We particularly appreciate the Agencies’ demonstrated willingness to incorporate and react to feedback from industry sources within this process.

Fair Isaac Corporation (NYSE: FIC) is the leading provider of decision management solutions powered by advanced analytics. Fair Isaac was founded in 1956 on the premise that data, used intelligently, can improve business decisions. Today the company’s solutions, software and services automate and improve more than 180 billion smarter business decisions each year for companies worldwide. Most leading U.S. banks and credit card issuers rely on Fair Isaac solutions, as do insurers, retailers, telecommunications providers, healthcare organizations and government agencies. Through the www.myfico.com website, consumers use the company’s FICO® scores, the standard measure of credit risk, to manage their financial health.

In submitting these comments, Fair Isaac is demonstrating its desire to improve the completeness, accuracy and integrity of data flowing through the credit reporting system. We are keenly aware of the consequences that data inaccuracies can create for lenders and consumers alike. Fair Isaac has a unique perspective on data practices of banks, financial service providers, insurers, telecommunications companies, health care providers, collection agencies, collection attorneys, debt buyers, debt sellers and the secondary markets.

In this comment letter, we limit our comments to the use of consumer reporting data for consumer and small business credit transactions, including account origination and management, within the United States. We discuss the prevalent use of FICO® scores and describe Fair Isaac’s efforts to ensure that consumers are given an opportunity to understand the data that influences their scores and to correct any inaccuracies contained in their consumer reports. We conclude by providing observations and comments in response to the Agencies’ questions and comments concerning the accuracy and integrity guidelines and regulations and the direct-with-furnisher dispute regulations, including discussing practices that may contribute to inaccuracies in consumer reports.

FICO® score and consumer knowledge..... 3
Credit bureau discrepancies and credit score impacts..... 3
Practices which may contribute to impactful inaccuracies: Responses to ANPR section A.1 through A.10. 4
Direct dispute regulations..... 5

FICO® score and consumer knowledge

Fair Isaac's FICO® scores are the most widely used credit bureau risk scores in the world, powering more than 10 billion decisions a year. FICO scores are derived from credit reports compiled by the nationwide CRAs, and are sold in the U.S. in partnership with Equifax, Experian and TransUnion.

Users of FICO® scores include banks, credit unions, finance companies, mortgage companies and thrifts originating or managing retail consumer and small business credit exposures, as well as telecommunications providers, cable and satellite service providers, utilities, retailers, collection agencies, collection attorneys and an increasing number of hospitals, health care providers, and landlords.

The FICO score is a risk assessment of the information in a consumer's credit file. It is a single, 3-digit number between 300–850™ which rank-orders consumers according to credit risk, with higher scores indicating a lower risk of default. Each score is accompanied by up to five reason codes indicating the principal credit factors that impacted the consumer's score. The reason codes are listed in descending order of importance. FICO scores are marketed to businesses as BEACON® by Equifax; Experian/ Fair Isaac Risk Model by Experian; and FICO® Risk Score, Classic (formerly EMPIRICA®) at TransUnion.

FICO® scores are typically used in connection with credit eligibility determinations, including determination of interest rate, amount of credit to be extended and terms of repayment, and credit account review, including account monitoring and collections.

In addition to FICO® scores, Fair Isaac Credit Based Insurance Scores ("CBIS") are used by insurers in underwriting or renewing personal lines insurance policies and in establishing rate tier. Fair Isaac develops bureau-based insurance scores based on auto and property insurance policy data and information in consumer credit bureau files. These scores are designed to predict the risk of auto or homeowner insurance loss ratio. The newest versions of our insurance scores are available at the three major credit bureaus as InScore® at Equifax, Fair Isaac Insurance Risk Score (formerly ASSIST) at TransUnion and as Experian/Fair Isaac Insurance Score at Experian through their partnership with ChoicePoint.

Further, Fair Isaac Small Business Scoring Solution ("SBSS™") are used in originating small business loans, credit cards and leases. Our SBSS scores are developed based on small business application data, commercial credit report data and information in the consumer credit files.

At the www.myFICO.com website, consumers can obtain free score education materials, and can also obtain their FICO® scores from all three CRAs for a fee. Reason codes are returned to the consumer with each FICO® score explaining what information is driving their FICO® score. Consumers obtaining FICO® scores from www.myFICO.com also receive access to a score simulator that helps the consumer understand the impact that a credit behavior change could have on their future score calculation.

Credit bureau discrepancies and credit score impacts

As noted by the Agencies, various studies have provided opinions and estimates of the accuracy rates of the credit reports for specific consumer groups. While Fair Isaac has not conducted its own analysis, we agree that information contained in the consumer reports for a particular consumer may vary across the three nationwide CRAs. Realizing that discrepancies may exist in credit bureau data, Fair Isaac has specifically engineered the FICO® score to incorporate many

different credit elements from the five main predictive categories (*previous credit performance, level of credit indebtedness, length of credit history, pursuit of new credit and mix of credit*). This approach helps to ensure that no single piece of information drives the final score.

Given the widespread use of the FICO® score, and the extensive scrutiny of FICO® score performance by lenders, regulators and the secondary markets, we believe this approach has clearly delivered strong risk-predictive capability to the industry. Over time, we have noted that a wider range of data furnishers have provided information about more consumers and that more information is being furnished for each consumer. This has led directly to increasingly more predictive scores and analytic offerings.

Through our myFICO.com and FICO.org websites and free score education outreach efforts, Fair Isaac encourages consumers to check their credit reports at least annually and report potential errors to the CRAs. Separately, we encourage creditors to furnish full, timely and accurate data to CRAs.

Practices which may contribute to impactful inaccuracies: Responses to ANPR section A.1 through A.10

In Section A of the ANPR, the Agencies request information on the practices which contribute to the overall accuracy and integrity of information furnished to CRAs. In Section A.1, the Agencies request detail on the practices that may impair the accuracy and integrity of information furnished to CRAs. In addition, in Section A.2, the Agencies seek feedback regarding patterns, practices and specific forms of activity that may compromise data integrity. Based on our experience and observation, we believe that the following practices may impact data integrity:

1. Multiple assignments of collection items related to the same credit obligation to a primary, secondary and tertiary set of collection agencies and attorneys appears to increase the possibility of redundant reporting of defaulted obligations. In the absence of a code or indicator on a credit report indicating that collection items are related, a consumer report may include duplicate reporting of collection items relating to the same credit obligation.
2. Merger, acquisition, and reorganization practices may make it more difficult to identify the source of data inaccuracies. For example, data truncation during the merger process could complicate attempts to investigate the root cause of a dispute.
3. There is limited or inconsistent reporting on consumers' obligations to public utilities, cable companies and telecommunications providers, rental payments and municipal fines, fees and penalties. In many cases, only negative performance information is reported. Note, some states prohibit companies from furnishing certain types of data to CRAs.
4. We understand that small institutions may be precluded from furnishing information to the credit reporting agencies due to minimum reporting volume requirements.

In Section A.4 of the Proposed Rulemaking, the Agencies request detailed descriptions of the policies and procedures that a furnisher should implement and maintain to identify, prevent or mitigate those patterns, practices and specific forms of activity that can compromise the accuracy and integrity of information furnished to a consumer reporting agency. Fair Isaac encourages all lenders to completely and accurately report information to the three nationwide CRAs.

With respect to medical information, Fair Isaac believes that further efforts should be made to investigate the treatment of medical collection items in relationship to a consumer report.

Generally, if not specifically coded as medical collections, these collection items are indistinguishable from other collection items associated with credit cards, loans, and mortgages.

Direct dispute regulations

In Section B, the Agencies request comment on the direct-with-furnisher dispute regulations. Fair Isaac often receives questions from consumers, through our helpline and websites, concerning the FCRA dispute resolution process. Fair Isaac recommends that consumers work with the CRAs, using their dispute filing process, and the individual lender(s) to resolve their disputes.

The www.annualcreditreport.com site and associated mail and telephone processes for ordering a free credit report annually now provide a mechanism for consumer discovery and correction of legitimate discrepancies, while outreach efforts by Fair Isaac and other financial literacy organizations are designed to educate consumers about delinquency reporting practices.

We believe that the current dispute process, under section 611 of the FCRA, has the benefit of allowing centralized monitoring and tracking of dispute frequency and pattern type by the CRAs.

Fair Isaac appreciates the opportunity to provide comment on the ANPR.

Sincerely,

s/Janice Horan

Janice Horan
Director - Regulatory and Customer Support
Global Scoring Solutions
Fair Isaac Corporation
10 Corporate Circle, Suite 200
New Castle, Delaware 19720

Phone: 302-324-7963
Email: jhoran@fairisaac.com

###