

FAIR ISAAC CORPORATION
August 18, 2008

TO: Board of Governors of the Federal Reserve System
Federal Trade Commission

RE: Comments on Proposed *FACT Act Risk-Based Pricing Rule*, Project No. R411009
Regulation V; Docket No. R-1316
RIN 3084—AA94

Fair Isaac Corporation (“Fair Isaac”) appreciates the opportunity to present the following comments on the Proposed *FACT Act Risk-Based Pricing Rule* listed above (“Proposed Rule”). We have included at the end of these comments some background information about Fair Isaac, its history, and its unique position in the marketplace.

Fair Isaac supports the Agencies’ proposal that would allow creditors to use the credit score disclosures as an exception to the FACT Act’s risk-based pricing notice requirement. We agree further that a disclosure of the credit score number alone will provide no indication of whether that credit score is favorable, unfavorable, or about average when compared to the credit scores of other consumers.

The information contained in the proposed credit score disclosure forms, H-3 through H-5, provides valuable information and helpful context for consumers who may otherwise lack familiarity with consumer reports and credit scores and how they are used. In addition, the bar chart included in the Proposed Rule that describes the distribution of the U.S. population across the credit score range is a valuable tool for educating consumers. In our experience, providing visually interesting translations of credit scoring information helps to increase consumers’ understanding of credit scoring.

Nevertheless, we believe consumers would benefit greatly from access to two additional pieces of information. Specifically, consumers would benefit from: (1) knowing a score that was used by the creditor to make the pricing decision, and (2) receiving insights into why that score was not higher.

With respect to the first piece of information, consumers should understand the measures that lenders are using to evaluate them. Providing a consumer with access to a credit bureau score that is a *different* score from the credit bureau score actually used by the lender in its pricing decision can create significant confusion among consumers. Indeed, future proactive steps taken by the consumer to improve the credit bureau score he or she receives may not have the intended effect on the credit bureau score that lenders actually use in their pricing decisions.

With respect to the second piece of additional information, Fair Isaac views the Risk-Based Pricing Notice as a valuable “teachable moment” and, given the ubiquity of credit scoring today in the retail credit markets, the credit score disclosure approach should promote financial education for consumers. Consumers should be provided with reason codes that identify areas that provide the most significant opportunities to improve a particular consumer’s credit score. If consumers are provided with access to these key factors affecting their credit scores, it will permit the consumers to focus on the areas to potentially increase their scores over time and to potentially allow them to qualify for better pricing terms in the future.

Accordingly, Fair Isaac recommends to the Agencies that each consumer be informed of:

- (1) a credit bureau score actually used by the lender in its pricing decision, including the source and developer of the score;
- (2) the meaning of the credit bureau score, as described in a graphic representation of the proportion of consumers who have credit bureau scores within the specified ranges, together with a statement about how the consumer’s score compares to the credit bureau scores of other consumers, and up to four key factors that adversely affected the credit bureau score;
- (3) other sources of consumer information concerning credit reports, credit scoring, and general consumer financial education.

We do not support allowing a creditor to use the credit score disclosure exception where the creditor does not otherwise use credit scores in the credit evaluation process. This would be misleading to the consumer since the score was not a factor in the lender’s pricing decision, and could entice some creditors to use for this purpose an inappropriate score and supporting documentation. Requiring disclosure of a score used in the pricing decision will avoid significant consumer confusion and ensure consumers are receiving a credit score that is trusted by lenders.

Respectfully submitted,

/s/ Vance Gudmundsen

Vance Gudmundsen, Vice President
Fair Isaac Corporation

About Fair Isaac

Fair Isaac Corporation is the preeminent provider of creative analytics that unlock value for people, businesses and industries. Founded in 1956, Fair Isaac helps thousands of companies in over sixty countries acquire customers more efficiently, increase customer value, reduce fraud and credit losses, lower operating expenses, and make more credit available to more people. Fair Isaac pioneered the development of statistically-based

credit risk evaluation systems, commonly called “credit scoring systems,” and is the world’s leading developer of those systems. Thousands of credit grantors use broad based credit scores commonly known as “FICO® scores” generated by Fair Isaac-developed scoring systems implemented at the national credit reporting agencies. Fair Isaac has also developed custom scoring systems for hundreds of the nation’s leading banks, credit card issuers, finance companies, retailers, insurance companies, and telecommunication providers.

Fair Isaac supports consumer credit education and empowerment.

When lenders first began using credit scoring, Fair Isaac provided both lenders and regulators the information and training needed for effective score tracking and oversight. Lenders have always been provided with the top four reasons with every credit score, in order of their importance to the score. As credit scoring use has grown, Fair Isaac has responded by providing consumers with the information they need to understand credit scoring and use it to take control of their credit health. Fair Isaac has published consumer information on credit scoring on its own and in conjunction with others such as the Consumer Federation of America. Free information has also been available to consumers at www.myFICO.com, since its inception in March 2001. Consumers interested in learning more about their individual score can access www.myFICO.com to get their own FICO Score, accompanied by the underlying credit report, and a complete explanation of their personal FICO score.