April 25, 2005

Office of the Secretary
Federal Trade Commission
Room H-159 - Annex Z
600 Pennsylvania Avenue, N.W.
Washington, DC 20580

Re: FACT Act Credit score Study
RIN [3084-AA94]

The National Credit Reporting Association (NCRA) appreciates the opportunity to provide comments to the Federal Trade Commission (FTC) and the Federal Reserve Board (FRB) on credit scores according to your Request for Comments published February 25, 2005.

NCRA is a national trade association representing the consumer reporting industry with a special focus on mortgage credit reporting. NCRA membership represents more than 125 of the 170 companies that produce a credit reports for mortgage lending purposes, which meet the requirements of Fannie Mae, Freddie Mac, and the Department of Housing and Urban Development (HUD).

In the mortgage lending process, NCRA members act as intermediaries between consumers and the national credit repositories. Our members access the data from each of the three repositories and convert it into a user-friendly format. More importantly, NCRA members provide the mortgage lender immediate access to credit reporting experts that can review the data in the report for completeness and accuracy. They can also add, delete, or alter the data on the three-bureau merge report to provide the most complete and accurate credit profile available on the consumer. This could also include a process known as "credit rescoring", in which the new updated or corrected data is sent to

the repositories to correct their data and obtain revised credit scores based on the updated information.

The FTC and FRB Credit Score Study

Section 215 of the Fair and Accurate Credit Transactions Act ("FACT Act") requires the FTC and the FRB to conduct a study on the effects of credit scores and credit based insurance scores on the availability and affordability of financial services. NCRA's comments to the FTC and FRB are organized in the same order as the questions presented in the Request for Comments. NCRA has not replied to some questions because our expertise is limited to the specific credit reporting sector in which our member's service is not restricted.

Credit Scores and Credit

1. Specifically, how are credit scoring models developed? Who develops credit scoring models? What data and methodologies are used to develop credit scoring models? What factors are used in credit scoring models? Why are those factors used? What other factors have been considered for use in credit scoring models, but are not used? Why are those other factors not used? Are there benefits or disadvantages, either to creditors or consumers, from the use of particular factors by credit scoring models?

Credit scoring models are developed by statistically analyzing the payment patterns on credit reports from millions of consumers. Trends are plotted and payment patterns tracked to make predictions on future payments based on these trends in comparison to the consumer's current credit history.

While there are numerous credit scores in use today, the Fair Isaac Corporation (FICO) credit scores dominate the industry. Historically, FICO developed the first credit scores in the 1950's and they continue to provide the credit scoring models that others strive to emulate.

The factors used in the creation of the credit scoring models include, but are not limited to, the consumer's previous payment history, amount of credit available, amount of credit in use, the type of credit in use, presence of collection or public record filings. The best insight into the factors utilized in the calculation of the credit scores can be obtained from the complete listing of the factors or reasons provided to the consumer with the credit score as an explanation of why the score they received is not higher.

Why or why not certain factors are used in the calculation of the scoring models is up to the score developers and that information is best obtained from them. They often cite that such specific information is proprietary intellectual property and carefully disclose only selected portions of it to the public. We urge the FTC and the FRB to

look closely into the factors, not only with the developers of credit scores, but also with the daily users of credit scores. They are some of the best sources for insight in this area as they see the affects, on the consumer, of the scores as they are currently used.

Factors that should be looked at very carefully are:

- The amount of credit in use to available credit ratio.

  With some very popular credit card companies withholding their credit limits and reporting only the high balance, this factor, the most important factor in the overall score calculation after actual payment history, can become a quagmire for some consumers making their credit situation appear more tenuous than it really is.

- The type of credit in use, or the use of finance companies.

  The scoring models have historically not looked at the use of "high risk" lenders or finance companies in a favorabe light. Accounts with this type of creditor, even if paid on time, did not help the credit score to the same affect as those of traditional lenders. With the increasing market share and the more mainstream loan products the finance industry offers today, a review to make sure the scoring models update to offset this bias may be needed.

2. How many different credit scoring models are in use today? What different types of general purpose or specialized credit scoring models are available? Who offers credit-scores?

There are multiple types of credit scoring models in use today in mortgage lending. The majority are versions of the FICO score. There are two or three versions of the of the FICO score are in use at each repository and can be used to underwrite a mortgage loan. The specific score version to be used is at the request of the individual lender.

The credit score is calculated based on the tradeline, public record, collection and inquiry data in the consumer's credit repository file at the time the request for the credit report is made. It can be different each time requested as the additional requests can have an impact on the score calculation.

3. How are credit scores used? Who uses credit scores, and how widely are they used? How do they fit into the underwriting process for mortgages, auto loans, credit cards, and other credit products? For what purposes are credit scores used, other than the initial underwriting or pricing decision?

Credit score use has progressed over recent years to the point where scores are now used as one of the most influential factors in the approval and pricing of a loan. Since credit

scores are deemed to be neutral to any influence from consumer biases such as race, ethnicity, age, and gender, the vast majority of the lending community now defer to the credit score as an impartial indicator of whether to approve or deny a loan and what terms the consumer is offered without concern for equal lending claims. Further, credit scores in the upper range (700 plus) can change the degree of scrutiny other documents in the file receive, and the underwriting guidelines (such as debt to income ratios) used for the loan underwriting and processing.

Credit scores were the key to opening a new era in all segments of consumer lending and crucial to the introduction of automated underwriting systems (AUS). Cell phone applications, credit card approval, personal loans of all types, and the government sponsored enterprises (GSE) for mortgage lending all now heavily rely upon AUS's in their daily operations. While GSE Fannie Mae does not claim to use a FICO credit score in its AUS, it does require a FICO from each of the repositories on its AUS credit input. Fannie Mae has developed its own version of a credit score and we have been told that the FICO score is a factor in the computation. Fannie Mae also uses the FICO credit score when it sells its loans as securities in the secondary market, as the FICO score model is the preferred indicator of credit risk many investors use to review entire pools of loans.

4. How has the use of credit scores changed over time? When were they first used for each type of financial product (credit cards, mortgages, auto loans, etc.)? How has their use expanded to encompass different groups of borrowers (e.g., lower income borrowers, urban/rural borrowers, borrowers with poor credit histories, borrowers with non-traditional credit histories)? If the use of credit-scores has expanded to encompass different groups of borrowers, how has this affected the price or availability of credit to those borrowers?

Credit scores were first used in the 1950's as developed by the founders of the Fair Isaac Company, Bill Fair and Earl Isaac, for use in the new industry of credit cards. Quickly, department stores began using the new technology in their credit departments. Credit scores were then used in the 1980s to make auto and other personal loans. In the early 1990s, mortgage lenders began to use credit scores to review mortgage loan applications in their post closing quality control departments. In 1994, the mortgage GSEs Fannie Mae and Freddie Mac began to use credit scores as a primary function of their AUS's.

NCRA is on record with both GSE's underwriting departments, HUD and Congress[1] in predicting that the credit profiles at the repository level were not sufficiently accurate to support this type of move without some sort of safe-guard to protect both the consumer and the lenders. The 1994 NAICRA Study[2] showed that there were significant amounts

[1] The Washington Post, 2/12/94, Our Nations Housing, Ken Harney. Many big lenders plan to switch to quick electronic credit evaluations.
[2] N*A*I*C*R*A* National Association of Independent Credit Reporting Agencies (NCRA's original name) Survey/Study, Three Bureau Merged Infile Vs. Two Bureau Residential Mortgage Credit Report, March 1, 1994.

of current and corrected data missing from the three-repository merge file. In the late 1990's, under pressure from the GSE's and the mortgage lending industry, the credit repositories developed a system to provide that safe-guard now known as credit rescoring.

Credit rescoring is a process in which the credit reseller[3] can send approved documents into a special division at the repositories for review as proof that an error exists in the repository credit file. Upon successful verification of this information the correction is made to the repository file usually in two to three business days. The lender can then re-access the credit report with a new calculation of the credit score and the consumer can get evaluated on the new score and their true credit risk.

Consumers that lack traditional credit histories have been restricted by fewer lending options as so many lenders (including the mortgage GSE's) move to eliminate as much manual underwriting as possible. Fannie Mae has published guidelines several times regarding the use of non-traditional credit reports that have enabled many more borrowers, without a traditional credit history, to achieve home ownership; however, their options are still limited. In 2004 FICO introduced a new non-traditional credit reporting division that is creating a FICO equivalent score based from the non-traditional credit sources it accesses. Its use and acceptance by the marketplace is yet to be determined.

The lending community and government seem to embrace the credit score as being the catalyst to the expanded risk tolerance that has proven quite beneficial for many different types of borrowers. There is no doubt that the use of AUS's and credit scoring has had a huge direct impact on lowering the barriers to homeownership for many Americans. However, there is a segment of the American population that has inconsistent data elements, errors and other questionable issues that the credit score can magnify.

These issues where detailed in NCRA's 2002 study with the Consumer Federation of America[4] (CFA) which found that 38% of the population was at risk of being categorized into the sub-prime mortgage market due to issues with their credit reports as highlighted by the credit score. With variances of more than 50 points between their highest credit score and their lowest credit score, and the middle score being between 575 and 650, this is a significant segment of the population that needs to be carefully evaluated to make sure they do not fall into sub-prime as a result of the system instead of their actual credit

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[3] Reseller is the FCRA term for consumer reporting agencies that are not the owners of databases like the three credit repositories. All mortgage credit reports are provided by resellers, even if the reseller is a division of one of the three credit repositories, as they are reselling the data of the other two repositories to create the GSE and HUD required three bureau merge report. The term "reseller" does not provide an accurate description of what a non-repository consumer reporting agency does. Resellers are required by the FCRA to provide many of the same consumer services as a repository and in many instances provide superior consumer relations and customer service to the lender. Resellers are really intermediaries in the process that provide numerous value added services to both the lender and the consumer.

[4] Consumer Federation of American and NCRA, December 17, 2002, Credit Score Accuracy and Implications for Consumers.

risk. We urge the FTC and FRB to closely look at this specific segment of the consumer credit population.

NCRA members are providing an increasing amount of credit rescoring services despite the credit repositories increasing restrictions to the types of evidence that they will accept for rescoring. For this to be the case, one must assume that the score-driven lending system in use today must have issues that need to be addressed. Overall, the system is the best in the world and for the majority of the population it provides the greatest access and the most flexibility in lending on the globe. However, if you are one the individuals in the 38% of the population that the CFA/NCRA study found to be on the edge of the prime/sub-prime market, you may find that, due only to the fact that you choose a lender who does not offer rescoring, you may wrongly end up in the fastest growing segment of mortgage lending; that is with a sub-prime loan[5].

5. Has the use of credit scores affected the price and availability of mortgages, auto loans, credit cards, or other credit products? If so, are there estimates of the type and size of such changes? Have some groups of consumers experienced cost reductions while others have experienced cost increases? Have some groups of consumers experienced greater access to credit while others have experienced reduced access?

Credit scores have opened greater competition in the lending community by giving investors the ability to predict how a pool of loans will perform. Through this increased level of security resulting from the projection of how likely an individual is to repay the loan, combined with new investor competition, most consumers are reaping the rewards of lower costs in all levels of credit risk. This access does come with a price; some of the largest lenders do not use credit rescoring services. As stated in the answer to question 5, the fastest growing segment of mortgage lending is sub-prime. An issue we urge the FTC and the FRB to look into is whether this growth is truly being driven by increased home ownership from a segment of the population that was previously not served, or is it a conversion of consumers that were previously in the prime rate market that are now being priced at sub-prime levels. While the percentage of home ownership has increased it seems that the percentage of sub-prime loans has increased at a much faster pace, disproportionate to the overall increase of homeownership.

6. Has the use of credit scores affected the amount of credit made available to consumers? Has it affected initial loan-to-value ratios at which auto loans or mortgages (first- or second-lien) are originated to different groups of borrowers? Has it affected credit limits on credit cards and home equity lines of credit for different groups of borrowers?

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[5] USA Today, Sue Kirchoff and Sandra Block, Sub-Prime Market Grows Despite Troubles, www.usatoday.com/money/perfi/housing/2004-12-07-subprime-day-2usat_x.htm

NCRA is not a good source of data on this issue. We urge the FTC and FRB to seek input on this from the Mortgage Bankers Association (MBA) and the National Association of Mortgage Brokers (NAMB).

As for auto financing, NCRA members have very little exposure to that marketplace, as most of our members are restricted from competing in that marketplace.

7. How has the use of credit scores affected the costs of underwriting and/or the time needed to underwrite?

Credit scores are a major factor in the AUS's and have reduced the overall costs of the mortgage loan process in many areas. Specifically, credit scores have lowered costs for underwriting because it has streamlined the process, eliminated many previous documentation requirements and greatly reduced the time required to underwrite a loan. It is very clear that without credit-scores and the GSE AUS's, the record refinance volumes of the past couple years could have never been processed. Underwriting a mortgage loan previously took two to three weeks. Today, in most instances, underwriting a mortgage loan can be done in a matter of hours. With that workload reduction, manual underwriting, when deemed necessary, can be done in a matter of a few days.

This savings does not impact every consumer. While the use of credit scores has reduced the overall costs of underwriting, some consumers endure much higher credit reporting costs than before the use of credit scores. Pre-AUSthe standard form of mortgage credit report, the "Residential Mortgage Credit Report" (RMCR), as required by the GSE's and HUD, cost each consumer the same flat rate, between $40-$75 nationally. Today a three-bureau merge report with FICO scores will cost between $10–$30 for those consumers that do not need rescoring. There is no savings to the consumer if they need to have their credit report rescored, however, in many cases the rescoring can save the consumer hundreds of dollars per year (sometimes even per month) due to positive score changes. Credit rescoring costs are much greater than that of the old RMCR's and, since the consumers are not allowed to pay for this service directly or indirectly, some lenders do not offer it as part of their lending options since they must absorb the fees. Thus a consumer must either pay the higher interest rates and fees quoted, or move to a different lender that can offer the rescoring service, if they are credit savvy enough to know all the options.

This is not the only increased cost associated with credit scores. Mortgage fraud has reached epidemic levels and is costing the lending community billions of dollars[6]. Part of the blame for the increase in mortgage fraud could be a bi-product of the score driven

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[6] During the 12th Annual NCRA Conference in Tucson AZ in November 2004 Federal Bureau of Investigation Special Agent John Coliano from the Financial Institution Fraud unit reported the dramatic increase in mortgage fraud. At the Fannie Mae ebusiness conference in Reston VA in September 2004 Brian O'Rielly, Director of Fannie Mae's ebusiness Solutions division reported that the cost of mortgage fraud prevention and losses were now totaling 38 basis points per loan.

AUS that have eliminated many of the cross references and verifications of the past in a quest for faster lending decisions through increased automation. The combined cost of almost 40 basis points per loan for fraud detection and loss add to the cost of the use of this technology.

8. What impact has the use of credit scores had on the accuracy of underwriting decisions? What impact has the use of credit scores had on the share of applicants that are approved for mortgages, auto loans, credit cards, or other credit products? What impact has the use of credit scores had on the default rates of mortgages, auto loans, credit cards, or other credit products? Have the sizes of such changes or effects been estimated and reported?

The statistical information about the accuracy of risk prediction via the use of credit scores is widely distributed by the score creators and the lenders that use them. As long as the information the credit score is based on is accurate, there are no issues with this data. However, there are issues with credit data completeness and accuracy that affect the quality of the lending decision made with credit scores. The credit scores highlight those differences to the point that even FICO, in partnership with one of the national credit repositories is now using this fact in marketing their direct to consumer credit reports sales and credit monitoring services.[7] These accuracy and completeness issues have always been in the credit reporting systems and always will be as credit and the resulting scores are not static, but fluid, dynamic systems changing daily. Issues corrected today can return at a later date due to numerous reasons. New credit accuracy issues are always a potential problem. The number of consumers affected by identity theft alone is a huge issue that the credit scoring system only complicates.

Please look to answers in number five and six above for additional information on underwriting accuracy.

It is with these issues that NCRA strongly urges the FTC and FRB to obtain data from both within the lending industry and from those that view the situation from other perspectives, as there are conflicting trends developing on this topic. As previously noted, sub-prime mortgage lending is the fastest growing segment of the mortgage lending industry. What are the true factors behind this trend? There is also a trend of lower default rates in many segments of mortgage lending, including sub-prime. Does this trend support the theory that some consumers might be getting moved into a higher

[7] MyFICO.com email solicitation from March 15, 2005 "30% of users' three FICO® scores vary by 50 points or more. In these cases, which score lenders see can have a huge impact on your monthly payments (see chart). When you buy on credit, lenders may look at one, two, or all three of your FICO® scores when deciding what interest rate you qualify for - whether you're applying for a home loan, refi, auto loan, credit cards or even a cell phone. By knowing your three current scores, you can take action to correct any credit report inaccuracies that may be causing a low score - and doing that could save you hundreds or even thousands of dollars over the life of a loan. **For example, by bringing the above TransUnion score up to par with the Equifax and Experian scores shown, on a $150,000 mortgage you could save $2,172.00 a year!"** (bold text as quoted in the email) The cost for the three credit reports plus FICO scores was $44.85. That is per person or a total of $89.70 for a joint file on a husband and wife. Also offered in the same solicitation was the Equifax credit monitoring program for $7.95 per month.

risk loan due to credit score irregularities? These are all issues we urge the FTC and FRB to explore.

9. Has the use of credit scores affected the cost and availability of credit to consumers with poor credit histories? If so, how? What effect has it had on the use of credit by consumers with poor credit histories?

Addressed in previous answers.

10. How has the use of credit scores affected the cost and availability of credit to consumers with no credit history? What effect has it had on the use of credit by consumers with no credit history?

Please refer to answer to question 7.

11. How has the use of credit scores affected refinancing behavior for mortgage, auto, or student loans? How has it affected the average life of revolving lines of credit (including credit cards)?

Please refer to answer to question 7.

12. Has the use of credit scores and credit scoring models impacted the availability or cost of credit to consumers by geography, income, ethnicity, race, color, religion, national origin, age, sex, marital status, or creed? If so, how has it impacted each such category? What are the estimated sizes of any such changes for each of the above categories?

The use of credit scoring has clearly increased compliance with fair lending laws, thereby offering a better analysis of fair lending by providing a uniform standard of credit worthiness that is non-subjective. With the geographic, income, ethnicity, race, color, religion, national origin, age, sex, marital status, and creed subjectivity all removed from the underwriting review process lenders can focus not on individuals, but colorless "profiles" of loans that can be matched with similar loan "profiles" and not be concerned with a biased decision.

There is only one area that a factor of the credit score models could have a negative effect on a consumer in the above categories. For information on it please see the answer to question 15. Another issue that could have a negative effect is addressed in the last paragraph of the answer to question 24.

13. To what extent does consideration or lack of consideration of certain factors by credit scoring systems result in negative or differential treatment of those categories of consumers who are protected under the Equal Credit Opportunity Act ("ECOA") (e.g., race, color, religion, national origin, sex, age, and marital status)?

Please see answers to questions 12, 15 and 24.

14. To what extent, if any, could the use of underwriting systems that rely on scoring models achieve comparable results through the use of factors with less negative impact on those categories of consumers who are protected under the ECOA?

The AUS, driven by scoring models only have a negative impact on those consumers who are protected under ECOA when those consumers do not understand that information going into the AUS may be flawed and therefore the lending decision coming from the AUS may also be flawed due to the impact of that data. The old "garbage in garbage out" philosophy is alive and well in this environment.

15. What steps, if any, do score developers, lenders, or other users of credit-scores take to ensure that the use of credit scores does not result in negative or differential treatment of protected categories of consumers under the ECOA? Have score developers, lenders, or other users of credit scores changed the way credit-scores are developed or used in order to avoid negative or differential treatment of protected categories of consumers under the ECOA? Are any particular credit history factors not used because of actual or potential negative or differential treatment of protected categories of consumers under the ECOA? If so, what are they?

There is only one situation in which the developers of the credit scoring models may have created factors that would cause a differential treatment of protected categories of consumers under ECOA. That is the issue of the type of credit a consumer has in their history. FICO previously treated loans from finance companies differently than similar loans from conventional lenders. Many consumers live in geographic areas in which finance companies are the only lenders available to them and thus may be adversely affected in the credit scoring models that use that factor.

FICO has continued to fine-tune the credit scoring models to reflect the economic changes and we have been told that this has been addressed for more recent versions of the scoring models. However, several older versions of the scoring models remain in use today. We urge the FTC and FRB to review this claim to ensure unbiased models are created from FICO, as well as the other developers of credit scores.

16. Has the use of credit scores caused a change in the rate of home ownership? What is the estimated size of such a change?

Addressed in previous answers.

17. Has the use of credit scores caused a change in the method and amount of pre-screening consumers for credit offers? What effects have this had on the terms offered to consumers?

NCRA has no experience with pre-screening consumers for credit offers.

18. What specific role do credit scores play in granting "instant credit?" What impact have credit scores had on the availability and use of instant credit?

NCRA has no experience with instant credit with the industries in which we are allowed to operate.

19. How has the use of credit scores affected companies' ability to enter new lines of business or expand activities in the various credit industries?

The use of credit scores has increased many business segments in all areas of the lending community. New lending programs, new mortgage products, credit rescoring, fraud prevention products and services are just a few.

20. What role does credit scoring play in secondary market activities? In what ways has the availability of credit scores affected the development of the secondary market for credit products? Has the use of credit scoring increased or decreased creditors' access to capital? In what ways?

NCRA would urge the FTC and FRB to seek input from the MBA and the GSE's on this issue.

21. How are credit scores used to manage existing credit accounts, such as credit card accounts? How has the use of credit scores affected the way credit accounts are managed? How are credit scores used in the servicing of mortgages, and how has the use of credit scores affected the way mortgages are serviced?

NCRA has no expertise with the management and servicing operations of the lending community.

22. How are records of inquiries used by credit scoring systems? Does concern about the possible effects on their credit scores affect consumers' credit shopping behavior? If so, what impact does this have on the consumers or on competition in the various credit markets?

Inquiries were a major concern for the users of credit scores until FICO developed a "de-duplication process" where all like inquiries from a single transaction, typically mortgage or auto loan related within a 14 to 90 day (pending loan type) time frame is reduced down to one inquiry. Since the development of this de-duping process the impact of inquires does not seem to be a concern of the lending community.

23. How does the use of credit scores affect consumers with inaccurate information on their credit reports? How does the use of credit-scores affect consumers who have been the victims of identity theft?

Answered in previous questions.

With respect to identity theft, credit trade lines from identity theft are still calculated in the scoring models until the repositories remove them from the consumer's credit history. Unfortunately, with the passing of FACTA, there is no longer an opportunity for identify theft victims to receive assistance with these problems from the reseller handling their mortgage transaction. Thus the impact that identity theft has on a consumer's credit score in the mortgage process is remains an issue until the consumer is able to rectify the problem at the repository level and then reapply for mortgage financing.

24. Are there particular forms of inaccuracy or incompleteness in the credit reporting system, such as incomplete reporting by creditors, which affect either the usefulness of credit-scores to lenders or the benefits or disadvantages of scoring to consumers? What are those types of inaccuracies or incompleteness? How do they affect the usefulness of credit scores to lenders or the benefits or disadvantages of scoring to consumers?

As addressed in earlier questions, there are issues with the accuracy of the data in the credit reporting system. How large that issue is varies greatly pending the data reviewed and by whom. Even the FRB has conflicting information within its own studies about the quality of the data in the credit reporting system. Any data that is studied should first be carefully scrutinized to make sure that it has not been filtered or scrubbed in any way. While we discuss this particular issue it is very important to note that there is no doubt that the overall accuracy of the credit reporting system is very high. It is accurate for most Americans and that is proven daily in the size and the quality of the loan portfolios. It is the best system in world and we sometimes forget that when we look at the problems within the system. However, does that mean it is good enough?

If you are one of the consumers suffering with an accuracy problem on your credit history, correcting it can be very burdensome and not correcting can impact your life in many negative ways. It could cost you a job, your transportation, even your home. Your purchase power and your ability to insure your purchases are at stake. That is why we focus on the accuracy issue and should keep focusing on it until all studies conclude that the size of problem are a few single digit percentage points and not the 2% to 70% error rates that are currently circulating in the numerous studies.

NCRA, and it's member resellers, has a very unique perspective on this as we see the data from all three repositories side by side on the same consumer daily. We also work with both the lender and the consumer to correct data and provide the rescores to the lenders. We see real life cases where a one point on the FICO score can mean one hundred dollars per month to the consumer. When credit score driven risk based pricing has advanced to this degree for underwriting, there needs to be additional safeguards added to inure the data that causes that one point difference is as accurate as possible.

It should be noted that the safeguard of credit rescoring only applies to mortgage lending as most resellers are restricted by the repositories from competing in markets outside mortgage, tenant screening or employment screening. Additionally the costs associated with rescoring and who pays for it would currently prohibit it from use in auto financing or other non-mortgage lending environments. The use of this service in industries outside of mortgage lending is something we urge the FRB and the FTC to review.

In regard to data reporting completeness, with the loss of the vast majority of the repositories affiliated credit reporting agencies, more small creditors are being removed from reporting to the system. The valuable credit history they would normally report is lost if they service less than 1000 active accounts. The three repositories have a 1000 account threshold that is much higher today than the in the past. In the past, the repository affiliates, many in the smaller population centers across the country, accepted credit reporting data from the small creditors found in those markets. The consolidation of the repository affiliate industry has forced those small market creditors to comply with the repository thresholds or not report their data at all. The ultimate affect of this is the loss of the good data from the small creditors as the most negative data will eventually reach the credit reporting system, and thus the credit scoring models, in the form of collection agency accounts or public records.

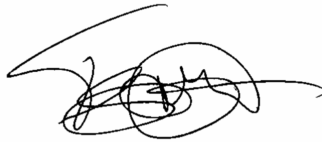
This loss of the good credit data prohibits the score from providing a complete picture of that consumer's true credit risk. If the consumer has no traditional credit (collection accounts and public records are considered traditional credit and count toward the minimum data elements required for a credit score to be calculated) then these missing creditors would be picked up in a non-traditional credit report. In today's marketplace very few consumers do not have a credit score and this is an area that we again urge the FTC and the FRB to explore in their studies, as this is a growing issue that needs to be evaluated thoroughly to avoid potential discriminate lending practices. Due to the demographic make up of some of the heavy users of small creditors there are potential fair lending issues that could develop from this trend.

Credit-Based Insurance Scores and Property and Casualty Insurance

NCRA has no expertise with credit based insurance issues as we are restricted from competing in this market.

On behalf of the members of the National Credit Reporting Association I would like to "Thank you" for the opportunity to provide comments on this crucial issue. If we can be of any assistance with further information please contact me.

Sincerely,



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