Meriwest Mortgage supports updating the Enterprise credit score requirement to make the assessment more accurate and to reflect economic changes since the financial crisis.

We endorse moving from Classic FICO to the improved FICO 9. Just like the VantageScore 3.0, FICO 9 incorporates paid in full 3rd party collections, medical collections and rental history. It’ll be an easier and less burdensome transition.

Implementing a new and completely different scoring model such as VantageScore 3.0 will be expensive and time consuming. It’ll require thorough testing, extensive training, lengthy programming time, additional vendor management and exhaustive changes to policies & procedures. FHFA should consider the fact that a change of this magnitude will negatively impact small lenders like Meriwest Mortgage. We have limited resources, whether human, technology and otherwise, to make a quick transition. This will make it even more difficult for us to compete against the larger lenders and market share leaders in our lending footprint. They have unlimited resources and can be up and doing business in no time.

FHFA itself concluded that there are only marginal benefits to requiring a credit score other than Classic FICO. Therefore, the number of additional borrowers that can be approved for a mortgage is minimal compared to the massive time, expense and effort of making the switch from a FICO model to VantageScore 3.0. It appears to be a losing proposition for small lenders like Meriwest Mortgage.

Other reasons to use FICO 9 rather than VantageScore 3.0 includes consumer education and investor transparency. Consumers are familiar with and understand FICO scores. Buyers and sellers of mortgages held in portfolio can assess the true credit risk profile of a bulk sale under consideration by analyzing historical FICO data.

We welcome a change away from the tri-merge credit report requirement. We believe that obtaining two credit reports from two CRAs will provide sufficient information to assess a borrower’s creditworthiness. Since each CRA collects consumer credit data at different times, two reports from two CRAs should cover a reasonable period of time. In addition, this change will help reduce the credit report fee that borrowers pay when obtaining a mortgage.

However, we oppose any pricing increase by the enterprises for using fewer than three credit scores. We believe that any price concession for using one or two credit scores will be less than the pricing increase contemplated by the enterprises. In addition, we call on FHFA to consider reducing all of the Loan Level Price Adjustments that are currently in effect. They make it more expensive for our borrowers and put small lenders at a disadvantage. We know of larger lenders in our lending footprint who do not charge LLPAs. They are able to absorb the fees whereas small lenders like Meriwest Mortgage must charge the pass-through fees.We do not originate enough volume in order to be able to offset the fees. What we do not charge in LLPAs, we take as a loss which we sometimes do in order to compete. Please understand that this is not a sustainable business model for us and for similar small lenders. These larger lenders also have the luxury of holding loans in portfolio so they can waive any and all LLPAs.  FHFA has the authority to level the playing field for all lenders, large and small.

We are of the opinion that FHFA should require only a single score as opposed to the other three options -- requiring both FICO 9 and VantageScore 3.0 (option 2), lender’s choice (option3) or waterfall (option 4). Mortgage lending today is a complex process and introducing more multiplicity will further complicate the business and raise the cost of making loans to deserving homebuyers and homeowners.

We are also of the opinion that having two credit score versions with different eligibility and pricing models will be disastrous to small lenders like Meriwest Mortgage. Again, we do not have the resources to run two versions in order to determine optimal execution.  Any eligibility and/or pricing benefit will be outweighed by the additional cost of performing the exercise.