STRUCTURED
FINANCE
ASSOCIATION

July 22, 2025

The Honorable William J. Pulte
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Recommendations for FHFA's Credit Score Models and Reports Initiative

Dear Director Pulte,

The Structured Finance Association (SFA) is a member-based, industry advocacy group focused on improving and strengthening the broader structured finance and securitization market. SFA operates on a consensus model, as opposed to majority vote, so policymakers know that when SFA takes a position, we represent the entire industry.

SFA appreciates that the FHFA is taking steps to modernize the credit scores used by Fannie Mae and Freddie Mac. Given SFA's role as the trade association representing the securitization industry — from lenders to issuers and aggregators, through to rating agencies and data/analytic firms, and ultimately to the bondholder investors — it is our hope that these steps will result in improved outcomes for all market participants. To achieve improved outcomes, we believe that in the days and weeks ahead, the FHFA and the GSEs can help to ensure that industry stakeholders can prepare for and implement the necessary changes following this announcement in order to achieve the FHFA's stated aims.

Primary Concerns:

1) **Disclosure of Credit Scores in Agency MBS**

Fannie Mae and Freddie Mac can help the market adjust to this transition by including loan- and pool-level data in Agency MBS disclosures on (1) scores that were used in the eligibility and pricing determinations made by the GSEs, and (2) where available, scores that were pulled during the loan application process, even if such scores were not relied upon for eligibility or pricing determinations. Including scores used and scores pulled will aid in market acceptance of new credit score models even if eligibility and pricing determination for a mortgage were ultimately based on one score.

2) Removal of prohibition of mapping and/or restrictions on credit score comparisons

To foster competition, industry stakeholders will be able to help borrowers understand how mortgages perform when based upon differing credit score models. That understanding will grow over time as data/analytic firms and rating agencies compare performance of mortgages utilizing different scores. We understand that certain legacy contracts may impair or restrict the ability of market participants to undertake these comparisons and publish their findings. SFA is happy to help FHFA identify and resolve these concerns so that market participants are explicitly allowed to publish comparisons between credit score models based on mortgage performance.

3) Address model validation concerns with prudential regulators

Prudentially regulated firms rely on the complex models utilizing historical data to satisfy their safety and soundness responsibilities. While the adoption of new credit score models utilizing new data sources (such as rental history) is a positive step forward for consumers, regulated entities will need to account for these developments in their models. In such cases, FHFA can help this transition by releasing any historical analysis that prudentially regulated firms can use in developing their own models. Additionally, FHFA can facilitate dialogue among other FSOC members who have direct regulatory oversight responsibilities for regulated entities holding mortgages that were underwritten using new credit score models.

Additional Considerations:

4) Take steps to limit gaming by adverse selection

One of the more difficult challenges to address will be drawing the line between credit score providers competing for consumers' business vs. a race to the bottom where consumers game the competition. Guardrails will be critical to help limit the risk that competition does not result in "credit score inflation", which will lead to increased yield premiums and therefore increased borrowing costs for all consumers.

5) Consider an overlap period of re-scoring loans that use a new credit score

To aid in the transition, it may make sense to direct the GSEs to "re-score" any loan that uses an updated score and report both the new credit score and the Classic FICO "re-score" in loan-level reporting and disclosures. The cost of the Classic FICO re-score should be borne by the GSEs, and done for a period of not less than two years so that investors and other secondary market participants can compare and better understand how new scores relate to Classic FICO scores.

In undertaking these challenges, SFA stands ready to engage with FHFA, the GSEs, and the industry at large in order to improve efficiency and achieve better outcomes for all stakeholders.

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Sincerely,

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Michael Bright
CEO
Structured Finance Association