From: Have a nice Day
Sent: Tuesday, June 22, 2004 4:46 PM
To: FACTAscoringstudy
Subject: Public comment on credit scores

Hello,

I have been working in the mortgage industry for roughly 8 years. In the late 1990's credit scoring was introduced as an alternative to conventional "decision based" or matrix delegated underwriting. My self and many of my colluges did not believe certain industry groups when they told us that credit score based underwriting would replace conventional underwriting. By the year 2000 virtually all lenders had turned to credit score underwriting.

In my opinion this has been one of the biggest frauds imposed on the American consumer and results in discrimination of the lower and working class.

The three burros owning the intellectual property to the credit scores anserew to no one. There are no studies done by third party actuaries, math professors etc to verify the accuracy of the credit scoring model. There also seems to be little competition for different scoring or underwriting methods. Being that this is such a young science i would expect more research of the issue.

Discrimination occurs in a number of areas mainly the "professional" VS "non professional" IE getting a better score based on ones social status.

Length of record IE a 25 year old is not going to have a file as long as a 75 year old.

Type of credit IE minorities and inner city residents have less of a banking presence and more finance companies (Beneficial hfc) therefore they turn to these sources for financing out of convince, trust only to find their credit scores being hindered as a result forcing them to turn to the same companies for high priced home equity loans and mortgages.

The scoring process is inaccurate. I have seen clients nearing foreclosure with scores in the mid 600's while timely payers have scores in the low 500's.

Scoring was supposed to reduce the amount of time, paperwork and expense on the part of the big banks (IE they could lay off underwriters) yet I have seen loan expenses nearly triple (lender fees not broker fees)

If this was truly a time saving cost effient model why haven't the banks passed even a small portion on to the consumer.

In the old days a underwriter had the authority to make a design based on compensating factors (positives outweighing negatives). A consumer with financial stability demonstrating proof of assets, good job time etc may end up with a rate worse than that of someone with a profile half the strength of his.

As far as insurance companies using this model in my opinion that is completely unfair. Bad credit is a symptom of poverty not ones likelihood to commit arson or fail to install smoke detectors.

This has forced many "suburbanites" who may be self employed, experienced bankruptcy lawsuits to pay higher rates or get pushed into the fair plan.

Thanks

Matt Cantrall

Ohio