



November 30, 2022

The Honorable Julia Gordon  
Commissioner  
Federal Housing Administration  
Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW  
Washington, DC. 20410-8000

The Honorable Sandra Thompson  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street SW  
Washington, DC. 20019

Dear FHA Commissioner Gordon and FHFA Director Thompson:

The Community Home Lenders of America (CHLA)<sup>1</sup> writes to ask the Federal Housing Administration (FHA) and the Federal Housing Finance Agency (FHFA) to prohibit the charging of significant price disparities to lenders for mortgage credit reports on FHA and GSE loans respectively - price disparities that are non-transparent and would negatively affect minorities and other underserved borrowers.

Last week, the National Consumer Reporting Association (NCRA), the trade association of consumer reporting agencies, sent a **letter** to the mortgage lending community, stating that it was NCRA's understanding that Fair Isaac (FICO) would soon be creating three pricing tiers for wholesale prices of credit reports. The NRCA letter states that there would be **“. . . a wholesale price increase of less than 10% for the top tier of approximately 46 lenders, about 200% for approximately 6 lenders in the middle tier, and more than 400% for all other mortgage lenders in the nation.”**

**With respect to FHA and GSE loans, such a disparate pricing structure violates basic principles of transparency.** Credit reports are an essential component of every mortgage loan, so such component costs will be passed along to the consumer. A pricing scheme where a few lenders receive small price increases, while prices are quadrupled for most lenders (and the borrowers they serve) is arbitrary and raises questions about whether it is a proxy for volume discounts or done for other unjustifiable reasons.

**With respect to FHA loans, such a disparate pricing structure arguably creates discriminatory pricing against minorities and other underserved borrowers.** FHA loans are a critical source of affordable mortgage credit for underserved borrowers with minor credit blemishes or a need for low down payment mortgages. IMBs originate 90% of FHA loans. While we don't know who the 52 preferential lenders are, our impression is that smaller IMBs (and smaller banks) are generally excluded from this category, and therefore the underserved borrowers they serve will be significantly and adversely affected.

**With respect to GSE loans, such a disparate pricing structure violates the spirit - at least - of FHFA's G Fee parity policy.** The disparity between 10% and 400% price increases for credit reports (an essential Enterprise loan component) will create price disparities on GSE loans for smaller lenders and the borrowers they serve. This is the essence of what FHFA's G Fee parity was intended to prevent.

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<sup>1</sup> CHLA is the only national trade association focused exclusively on small and mid-sized independent mortgage banks (IMBs).

**With respect to GSE loans, such a disparate pricing structure would undermine Equitable Housing, an FHFA priority.** Fannie Mae and Freddie Mac recently adopted Equitable Housing plans to address racial and ethnic homeownership disparities. Such pricing disparities would increase such barriers.

To be clear, CHLA is not objecting to credit report price increases per se, commensurate with normal cost increases associated with doing business. However, we believe both that a 400% price increase is not justified, nor are the arbitrary and significant lender disparities proposed under such a pricing scheme.

CHLA believes FHA and FHFA have the authority to prohibit these types of arbitrary and non-transparent significant pricing disparities on FHA and GSE loans respectively - and asks you to use such authority to prohibit such practices.

At a minimum, CHLA asks FHA and FHFA to analyze the likely impact of such pricing disparities on your affordable homeownership objectives and initiatives - and engage FICO in discussions, encouraging them to abandon this new discriminatory pricing scheme.

Thank you for your consideration of these requests.

Sincerely

COMMUNITY HOME LENDERS OF AMERICA

CC:

Hon. Rohit Chopra, Director, Consumer Financial Protection Bureau

Mr. Michael DeVito, CEO, Freddie Mac

Mr. David Benson, Interim CEO, Fannie Mae