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Dear Gentlemen:

The Community Home Lenders of America (CHLA)¹ writes to request that your bureaus roll back recent price increases, in order to facilitate the restoration of pricing discounts for soft credit pulls.

Soft credit pulls are a critical tool that our member mortgage loan originators use to work with underserved borrowers - particularly borrowers with credit blemishes – to improve their credit score and ultimately obtain a pre-qualification or an actual mortgage loan. This process is often essential to helping many families achieve their goal of becoming a first-time homebuyer.

Unlike a hard credit pull (also known as “Hard Inquiry”), the mere action of a soft credit pull (also known as a “Soft Inquiry”) will not negatively affect a person’s credit score.

Moreover, a Soft Inquiry does not activate Trigger Leads. Today, Trigger Leads inundate mortgage borrowers with dozens of unwanted texts, calls, and emails, which cast a poor light on the entire mortgage production industry.

Unfortunately, at the end of last year, each of the credit resellers announced that they were ending the pricing discount that had been in place for soft credit pulls. The credit resellers advised lenders that the soft credit pull will effectively be priced the same as a hard credit pull based on equalization of pricing in 2024.

In notifications to lenders, the credit resellers said this policy change is due to significant price increases from Equifax, Experian, and TransUnion for this product and others. The credit resellers advised lenders that increased soft-pull demand was a factor in these price hikes.

Lenders view soft credit pulls as a major consumer benefit, using them to reduce initial file costs to keep mortgage costs down, for example, by taking advantage of Fannie Mae and Freddie Mac programs that offer the ability to obtain initial underwriting approvals with a single bureau report.

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

We find the timing of the Credit Bureaus' price increases curious, since Fannie Mae and Freddie Mac only recently changed policies to allow soft credit pulls for borrower qualifications under DU and LP.

As a result, we are looking at consumer-friendly soft pull prices increasing by two or three-hundred percent relative to 2022, with some lenders reporting they expect soft-pull increases in 2024 of three hundred percent relative to 2023!

We would also note that this comes on top of FICO's recent actions to raise prices on credit scores by 500%, compared to just 14 months ago.

It is true that mortgage lenders generally do not charge consumers for the cost of credit reports – including the cost of these soft credit pulls - unless a loan is closed. However, since credit reports are an essential part of the mortgage loan process – whether for a pre-qualification stage or for an actual mortgage loan application – the simple reality is that these costs are inevitably passed along to mortgage borrowers in the form of higher mortgage fees.

Therefore, the elimination of the price discount for soft credit pulls will create more of a financial disincentive for mortgage lenders to work with borrowers that need help in improving their credit score (to obtain a pre-qualification or a mortgage loan). Ultimately, it could conceivably result in some lenders charging upfront for the cost of this service.

Younger families face unprecedented challenges in becoming homeowners in the current market environment, with 30-year fixed rate mortgages doubling in the last two years and home prices staying close to record levels across the country.

Combined, these credit-scoring pricing increases just make the objectives of homeownership even harder, especially for American families trying to get on the economic ladder's first rung.

We also call your attention to our recent CHLA White Paper entitled **“Mortgage Credit Score Markets and Pricing – How to Ensure The Market Remains Fair to All Borrowers”** – which explains these issues in more detail.

In closing, we appreciate that there are effectively no constraints on the Credit Bureaus' ability to raise prices.

However, this area of soft credit pulls is of such overriding importance to potential first-time homebuyers that we appeal to you to take action to restore pricing discounts for soft credit pulls.

Sincerely

COMMUNITY HOME LENDERS OF AMERICA