Vicky Stringer

From: Vicky Stringer
Sent: Wednesday, October 26, 2022 4:23 PM
To: Vicky Stringer
Subject: From NCRA: FHFA & CFPB Make Major Announcements

The 10 year mortgage credit score research project is over, and so is the tri-merge!

Today FHFA Director Sandra Thompson announced three major changes to the mortgage industry, including an end to the monopoly in mortgage credit reporting created by the tri-merge requirement. While some people will rejoice in the return to competition between the three bureaus in the mortgage credit reporting market, there is now a new monopoly in the credit score market which provides all three bureaus new monopolistic revenues in the mortgage credit score market as both FICO and Vantage Scores are required to close a federally sponsored mortgage loan.

Both FICO 10T and Vantage Score 4.0 will be required for all Fannie Mae/Freddie Mac (HUD will almost certainly follow) mortgage loans. This transition to two bureaus and two scores will require some major technology changes and while announced today, is not likely to happen until sometime in 2024.

In addition to the credit reporting changes FHFA announced new G-fee pricing and a uniform appraisal dataset. For more information on all three changes see the links below:

FHFA Announces Validation of FICO 10T and Vantage Score 4.0 for Use by Fannie Mae and Freddie Mac:

https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Validation-of-FICO10T-and-Vantage-Score4-for-FNM-FRE.aspx

FHFA Announces Targeted Pricing Changes to Enterprise Pricing Framework:

http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-Targeted-Pricing-Changes-to-Enterprise-Pricing-Framework.aspx

FHFA Publishes New Uniform Appraisal Dataset (UAD) Aggregate Statistics Data File:

http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Publishes-New-UAD-Aggregate-Statistics-Data-File.aspx

CFPB Takes Action to Address Junk Data in Credit Reports

Effort seeks to address false information on the credit reports of children in foster care and the general public

WASHINGTON, D.C. — Today, the Consumer Financial Protection Bureau (CFPB) issued guidance to consumer reporting companies about their obligation to screen for and eliminate obviously false “junk data” from consumers’ credit reports. Companies need to take steps to reliably detect and remove inconsistent or impossible information from consumers’ credit profiles. For example, many children in foster care have large amounts of information on their credit reports that is clearly junk data because as minors they are prohibited from entering into most contracts for credit.

“When a credit report accuses someone of defaulting on a loan before they were born, this is nonsensical, junk data that should have never shown up in the first place,” said CFPB Director Rohit Chopra. “Consumer reporting companies have a clear obligation to use better procedures to screen for and eliminate conflicting information, or information that cannot be true.”

While incorrect data affects millions of Americans, children in foster care may be particularly susceptible to these problems because of a high rate of identity theft impacting that population. The roughly 400,000 children in the United States foster care system often lack permanent addresses, and their personal information is frequently shared among numerous adults and agency databases. When bad actors take advantage of children passing through their care and use their personal information to take out loans, children in foster care may enter adulthood saddled with negative and clearly inaccurate credit histories that can hinder their progress toward financial independence.

When consumer reporting companies include inconsistent or conflicting account information or information that does not make sense or cannot be true, consumers can suffer real-world consequences. Junk data in reports can lead to consumers being denied credit, housing, or employment, or paying more for credit. Junk data can take many forms, but some examples are credit reports that reflect a child having a mortgage, or a credit report that reflects a debt incurred years before the person’s birth.

Consumer reporting companies have a legal requirement to follow reasonable procedures to assure maximum possible accuracy of information that they collect and report. As part of that requirement, companies must have policies and procedures to screen for and eliminate junk data. Specifically, the policies and procedures should be able to detect and remove:

- **Inconsistent account information:** Sometimes consumer reports can show two or more pieces of information that cannot all be true. For example, an account is paid in full but still shows a balance, or a date of first delinquency predates the account's opening.

- **Information that cannot be accurate:** Sometimes information on consumer reports reflects obvious impossibilities. For example, if a tradeline includes a date that predates the consumer's date of birth or if just one of many tradelines indicates a consumer is deceased.

A consumer reporting company's policies, procedures, and internal controls should further identify and prevent reporting of illegitimate credit transactions for a minor. Minors generally cannot legally enter into contracts for credit except in certain limited circumstances, including applications for student loans, for emancipated minors, or as credit card authorized users.

Today's guidance is one in a series of actions being taken by the CFPB to ensure consumer reporting companies comply with consumer financial protection law. **Consumer complaints** submitted to the CFPB continue to reflect significant concern about inaccuracies in consumer reports. Complaints about "incorrect information on your report" have represented the largest share of credit or consumer reporting complaints submitted to the CFPB for at least the last six years, and the CFPB receives more complaints about credit reporting than any other subject.

Read the advisory opinion, Fair Credit Reporting; Facially False Data.

Phone: 630-539-1525 | ncrainc.org

Tclemans@ncrainc.org

jgerber@NCRAINC.org