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May 21, 2024

The Honorable Ritchie Torres  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Young Kim  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representatives Torres and Kim:

On behalf of ICBA and the nearly 50,000 community bank locations we represent, I write to thank you for introducing the Credit Report Enhancement Directive (CRED) Act (H.R. 8099) and to offer our support for the bill.

As you know, the Federal Housing Finance Agency (FHFA) is adopting two new credit score models, FICO 10T and VantageScore 4.0, for use by the Enterprises. These new scores incorporate alternative data sets. Once implemented, lenders will be required to deliver both credit scores with each single-family loan sold to Fannie Mae or Freddie Mac (the GSEs). Classic FICO will be retired.

Concurrently, FHFA is transitioning the GSEs from “tri-merge” credit reporting requirement, in which credit reports are required from all three nationwide consumer reporting agencies, to a “bi-merge requirement,” in which credit reports are required from at least two of these agencies. FHFA has stated that this change will promote competition among the agencies. In doing so, FHFA is ignoring the considerable operational challenges and potential costs to implement bi-merge given that the Federal Housing Administration, Veterans Administration, and United States Department of Agriculture have not adopted the proposed changes, in effect bifurcating the market. There are also possible unnecessary fair lending risks that a bank could face by using a bi-merge credit report.

These are significant and potentially costly changes for community banks that sell mortgages to the GSEs. The requirement to obtain two credit scores from at least two agencies on every mortgage sold to the GSEs will likely raise the cost of mortgage credit, which is already historically high and suppressing home sales.

Unfortunately, bi-merge has not been supported by a robust a cost-benefit analysis and did not go through an appropriate APA notice and comment period. To address this concern, H.R. 8099 would require the FHFA to conduct a cost-benefit analysis of a requirement that the GSEs obtain two rather than three credit reports and credit scores from the national consumer reporting agencies on mortgages sold to Fannie Mae and Freddie Mac. The analysis would consider possible savings for mortgage borrowers; changes in access to mortgage credit; compliance and operating costs for lenders, servicers, and the credit reporting agencies; and legal exposure for lenders and servicers. The analysis would be published in the Federal Register with a public comment period of 90 days. FHFA would not be permitted to implement bi-merge until the comment period is closed.

ICBA strongly supports your bill, which would provide much needed transparency into the opaque decision making behind bi-merge, and we look forward to working with you to advance it.

Sincerely,

/s/

Rebeca Romero Rainey  
President & CEO