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Barrett Burns, President & CEO

May 29, 2012

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

RE: RIN 3064 – AD92: Assessments, Large Bank Pricing

Dear Mr. Feldman:

VantageScore Solutions LLC ("VantageScore") thanks the Federal Deposit Insurance Corporation ("FDIC") for the opportunity to comment on the proposed rule that would amend the FDIC's regulations to revise some of the definitions used to determine assessment rates for large and highly complex insured depository institutions. We realize that as is the case with many if not most rulemaking proceedings some elements of the proposed rule are being criticized and other elements of the proposed rule are and should be applauded.

As the developer of the model currently used to make billions of decisions annually by numerous lenders within their production systems, VantageScore would like to applaud the FDIC Board and staff for their insightfulness in deciding to use "probability of default" as an integral component of the definition of "higher-risk consumer loans."

As the authors of the FDIC proposal clearly understand, regardless of who develops the algorithm used to compute a particular brand of credit score, credit scores themselves are simply numerical values aligned with a particular level of risk known as the "probability of default." For too long uncertainty, inconsistencies and confusion have existed both within the industry as well as among the media and general public regarding the meaning of the term "subprime." By both replacing the term "subprime" with "higher risk consumer loans" and embedding "probability of default" into the definition of "higher-risk consumer loans," the FDIC is avoiding four significant flaws that have been the source of the problem:

1. Shifting risk. Credit score values do not always represent the same probability of default over time. Consider the following example:

VantageScore Solutions, LLC. Two Stamford Plaza, 281 Tresser Blvd., Suite 1002, Stamford, CT 06901 T: 203.363.2161 F: 203.569.0010 barrettburns@vantagescore.com www.vantagescore.com

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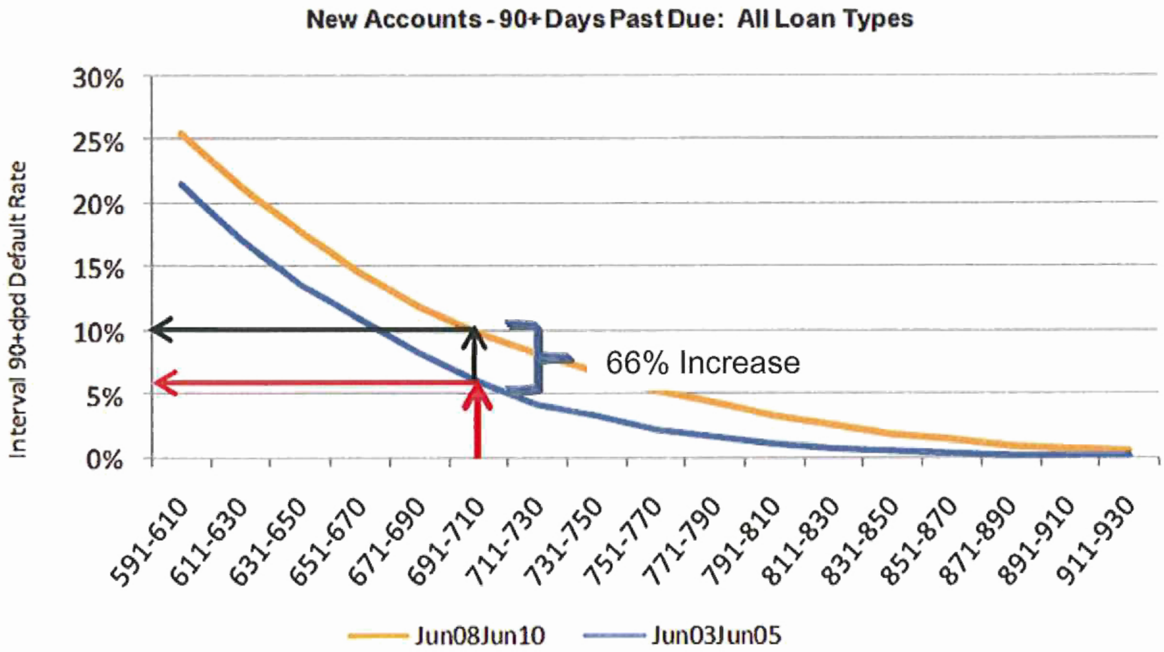

The graph above measures risk levels for consumer loans across two distinct two-year time periods for the most common VantageScore credit tiers: 591-930. The two timeframes were June 2003-June 2005 (blue/bottom line) and June 2008-June 2010 (gold/top line).

The probability of default for a VantageScore credit score of 691-710 in the June 2003-June 2005 timeframe was 5.99 percent (bottom/red arrows). The total risk in the system has changed and therefore the amount of risk apportioned to this score tier must also change. A credit score algorithm simply allocates the total risk in the system across each person based on their behavior.

This represents a 66% increase in the default rate between the June 2003-June 2005 timeframe and the June 2008-June 2010 timeframe with this credit score model, as an example.

This is a design element of all credit score models. Using a credit score value from any credit score developer will result in a default or risk probability that is not constant, but will fluctuate with changing consumer behavior.

As a result, if a credit score value were written into the pending regulation it would be based only on the corresponding risk level present today, at the time the regulation is being promulgated. For example, if the regulation were set at 660 in 2003, then allowable risk is "x"; today we know that risk increased between 2003-2010, such that in 2004 660 might have equaled x.2%; in 2005, 660=x.3% and so on until we reach 2010, where 660=y%. Risk levels can also improve, and as a result, the risk levels move around. This is clearly not what regulators intend to have happen. Establishing a maximum probability for default value as the parameter solves exposure to changing risk.

2. Naming just a number is meaningless. There are multiple developers and multiple score ranges available in the market today, in addition to the numerous institutions of large size and complexity that use their own custom built models. If just a "660" number is named, then whose 660 does that represent? Because each credit score developer designs their own model often with different score ranges and assigns different levels of risk to those ranges, it's impossible to know the level of risk that is associated with just a number.

3. Multiple models clouds risk level. Consider that there are over 20 versions of one model currently available in the marketplace. As a result, it could be difficult for any federal regulator or examiner to know with any degree of certainty what the true risk is for a loan underwritten with one version of that model versus another, since the loans in question utilize two different credit scoring algorithms and, as a result, any score value chosen could represent two different levels of risk. This same issue exists for any credit score model developer who has multiple versions in the market.

4. Brand endorsement creates an unfair advantage. If the FDIC were to use a credit score brand and number in its regulatory definition of "higher-risk consumer loans" the FDIC would, perhaps without intending to do so, be writing a rule that would be endorsing a single private company, creating an anti-competitive environment, and de facto requiring businesses subject to the rule to use the brand cited, locking-out all other model developers. Indeed, even naming a specific credit score brand for purposes of tracking or reporting by lenders is problematic and has the same fatal flaws. Avoiding the use of brand names in regulation is imperative to eliminating any thought that the government endorses or requires a particular vendor's product in a competitive marketplace. We applaud the FDIC Board and staff for avoiding that pitfall.

For the reasons set forth above, we agree with the renaming of subprime consumer loans as "higher-risk consumer loans and securities" and the adoption of a certain level of "probability of default," rather than a credit score value, as the factor in defining those loans. We believe this will deliver accuracy in risk determination and eliminate reporting inconsistencies among institutions and therefore support adoption of the rule as proposed. We further believe that this approach should be adopted in all regulation among all agencies needing to measure consumer loan risk levels and applaud the FDIC for this leadership approach.

Thank you for considering our thoughts as you move forward with this important rulemaking that would amend the FDIC's regulations to revise some of the definitions used to determine assessment rates for large and highly complex insured depository institutions. If you or others working on this rulemaking have any questions or would like additional information please don't hesitate to contact me. I am reachable at (203) 363-2161 or by email at BarrettBurns@vantagescore.com.

Respectfully,

Barrett Burns