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MORTGAGE BANKERS ASSOCIATION

January 20, 2023

The Honorable Sandra Thompson  
Director  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, DC 20219

**RE: Recommendations Regarding Vendor Competition and Level Playing Field Principle**

Dear Director Thompson:

The Mortgage Bankers Association<sup>1</sup> (MBA) appreciates the Federal Housing Finance Agency's (FHFA) commitment to ensuring Fannie Mae and Freddie Mac (the Enterprises) provide a level playing field for all lenders. In order for the Enterprises to adhere to their charter requirements to "promote access to mortgage credit throughout the nation," "improve the distribution of investment capital for residential mortgage financing," and "provide stability in the secondary market for residential mortgages," they should do everything possible to ensure that lenders of varying sizes and types have equal access to the secondary market. The level playing field has been a core shared principle for the MBA, the Enterprises, and the FHFA, and FHFA should ensure that it is applied throughout the Enterprises' operations.

Because the Enterprises play such a critical and substantial role in the housing market, their selection of service providers and vendors has significant and wide-ranging impacts. The use of a single vendor or provider for a service could be the catalyst for situations in which winners and losers are chosen as a result of variations in that vendor's pricing for Enterprise-required services – quite the opposite of a level playing field. For this reason, MBA has consistently cautioned against the use of limited or single vendors, such as in the implementation of Day 1 Certainty, employment and income verification, and credit scoring. We continue to advocate for a competitive market with multiple vendors and service providers that meet Enterprise standards.

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,100 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: [www.mba.org](http://www.mba.org).

The recent announcement of new credit score models approved for use by the Enterprises is a positive step that should benefit borrowers and the Enterprises while maintaining safety and soundness. Recent pricing increases by FICO—the sole provider of credit scores for the Enterprises—and associated price increases along the chain of credit providers has dramatically increased the costs that some borrowers pay for credit reports and is inequitably applied across the industry. The implementation of additional credit score providers remains years away and FHFA’s vigilance is still required with respect to level playing field concerns. We urge FHFA to continuously evaluate developments to ensure adherence to the level playing field principle with respect to the Enterprises and the provision of Enterprise-required services, particularly where competitive forces among vendors are absent.

Finally, FHFA has the statutory obligation to ensure that the operations and activities of the Enterprises foster liquid, efficient, competitive, and resilient national housing finance markets. Competitive forces typically produce better results in the market and contribute to market stability. We urge FHFA to continue to support market competition and uphold the core principle of a level playing field for all lenders. MBA appreciates its ongoing partnership with FHFA, and we will continue our engagement on this and other critically important housing issues.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pete Mills".

Pete Mills  
Senior Vice President  
Residential Policy and Strategic Industry Engagement  
Mortgage Bankers Association