



August 10, 2004

Federal Trade Commission/Office of the Secretary  
Room H-159 (Annex N)  
600 Pennsylvania Avenue, NW  
Washington DC 20580

RE: FACT Act Scores Study, Matter No. P044804

To Whom it May Concern:

The National Community Reinvestment Coalition (NCRC), the nation's economic justice trade association of 600 community organizations, urges the Federal Trade Commission (FTC) and the Federal Reserve Board (FRB) to conduct a comprehensive study on the impacts of credit scores on the availability and affordability of loans and insurance products for African Americans and Latino individuals and communities. An impartial and rigorous study should influence public policy regarding if and how to change the nation's credit scoring system in order to promote fairer access to credit and insurance.

NCRC recently conducted a study, the *Broken Credit System*, that assessed the relationship among creditworthiness, neighborhood racial and age composition, and housing stock characteristics (we have attached a copy of the study for your reference). NCRC obtained credit score information on a census tract level on a one-time basis from one of the three major credit bureaus. The study used proxies for race, income, and age of the borrower since NCRC is not aware of any database that merges Home Mortgage Disclosure Act (HMDA) data and credit scores. The proxies in the study were the race and age composition of census tracts. We believe that the proxies were reasonable and suggested a pervasive problem of price discrimination.

NCRC found that after controlling for creditworthiness and housing stock characteristics, the percentage of Subprime loans increased as the percentage of African-American and elderly residents increased in a census tract. These results occurred in ten large metropolitan areas and were particularly strong for African-Americans. We also found that Subprime lending increased as the percentage of neighborhood residents with supposedly higher credit risks increased.

Although the supposed higher risk translated into higher levels of Subprime lending, NCRC's study reveals a basic unfairness in the financial system in America. High cost loans surged in minority and elderly neighborhoods even after controlling for

