

The Wells Fargo logo consists of the words "WELLS" and "FARGO" stacked vertically in a bold, yellow, sans-serif font, set against a red square background.

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Federal Trade Commission
Office of the Secretary
Washington, D.C. 20580
VIA E-MAIL

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Subject: FACT Act Scores Study;
Matter No. P044804

Ladies and Gentlemen:

Wells Fargo & Company ("Well Fargo") appreciates the opportunity to comment on certain aspects of the study mandated by the FACT Act on the effects of credit scoring and credit-based insurance scores on the availability and affordability of financial products. Wells Fargo is one of the country's leading integrated financial services organizations (the "Study"). Wells Fargo includes a national bank with branches in 23 states, a consumer finance company, insurance agencies and brokerages, and securities broker-dealers and investment advisors.

Credit scoring has been in use in the financial services industry for at least 45 years. However, most consumers were probably unaware of scoring until the mid-90's when, for the first time, it became widely used in mortgage lending. At about the same time, scoring systems designed to predict insurance risk were developed using traditional credit bureau data ("credit-based insurance scores"). In this letter "credit scoring" or "credit scores" refer to the statistical models developed to predict some form of credit risk. "Insurance scoring" or "insurance scores" refer to similar statistical models developed to predict insurance risk. And "scoring" or "scores" refer to such statistical models generically.

Probably the most important aspect of the Study will be how "negative or differential treatment is defined. Because basic economic factors such as income, net worth, employment and education are not equally distributed in American society by race/color/national origin it should come as no surprise that credit risk is also not equally distributed. The function of a credit scoring system is to accurately predict credit risk regardless of race/color/national origin [or any other prohibited factor, except for age which may be used in credit scoring systems subject to certain constraints, 12 CFR §202.6(b)(2)]. Credit scoring is not intended, and should not be expected, to compensate for past discrimination. Thus the key question to be answered by the Study must be, "Does scoring predict risk equally regardless of whether the subject is a

