



April 16, 2004

Office of the Secretary
Federal Trade Commission
600 Pennsylvania Avenue, NW
Room 105-H
Washington, DC 20580

Re: *Free Annual File Disclosures -- Proposed Rule*
69 Federal Register 54, 13192-13210 (March 19, 2004)

To Whom It May Concern:

The National Association of Mortgage Brokers (NAMB) submits this letter to offer its support for the proposed rule published in the Federal Register on March 13 by the Federal Trade Commission (FTC). Before discussing the reasons for our support, this comment letter provides general information about mortgage brokers and NAMB. After this brief overview, we discuss the reasons NAMB supports the proposed rule.

Overview of the mortgage brokerage industry and NAMB

Mortgage brokers act as intermediaries between consumers and lenders when the borrower finances the purchase a home or refinances an existing mortgage. A typical broker maintains business relationships with various lenders to provide consumers with numerous financing options. These partnerships allow the 44,000 mortgage brokerage companies employing over 360,000 employees in the United States to offer consumers the most competitive mortgage products available.

By offering consumers a variety of products, mortgage brokers can find loans for borrowers that match the financial needs of each customer. Mortgage brokers assist buyers with excellent credit histories in addition to those with less than perfect credit histories. The mortgage brokerage industry also helps borrowers with low-to-moderate incomes in finding access to the credit they need to secure the benefits of homeownership. By advising homebuyers throughout the home financing process and delivering cost effective mortgages to consumers, mortgage brokers originate two out of every three residential loans in any given year. As the single largest group of loan originators, mortgage brokers undoubtedly have played a significant role in increasing the rate of homeownership in the United States to an all-time high of 68.6 percent.

NAMB is the only national trade association exclusively devoted to representing the mortgage brokerage industry. As the voice of mortgage brokers, NAMB speaks on behalf of more than 21,000 members in all 50 states and the District of Columbia. NAMB offers educational courses and certification programs to mortgage professionals to maintain their expertise. By adhering to a strict code of ethics and best lending practices, NAMB members guide consumers through the mortgage loan origination process. NAMB's government affairs representation ensures the voice of the mortgage brokerage industry is heard on Capitol Hill.

NAMB's support for the proposed rule

NAMB applauds the efforts undertaken by the FTC to establish a centralized source through which consumers may request free credit reports on an annual basis from each of the nationwide consumer reporting agencies. As part of this initiative, the FTC has created a standardized form to use to make such requests and plans to implement a streamlined process for consumers to use when requesting free annual credit reports from the nationwide specialty consumer reporting agencies. At least 90 days prior to making an application for a mortgage, consumers should obtain a free copy of their credit report from each of the nationwide consumer reporting agencies. After obtaining these reports, but before actually applying for a mortgage, NAMB recommends that consumers meet with a mortgage broker to review these reports for accuracy and discuss how to improve their credit profile and their credit scores. The combination of receiving credit reports from the consumer reporting agencies and educational credit counseling from a mortgage broker is the best way to ensure consumers obtain the lowest interest rates available given their credit profile when they buy a home or refinance an existing mortgage.

NAMB believes consumer education is the key to securing the lowest interest rates available given the credit profile of a particular borrower. To further educate consumers, NAMB believes the FTC should consider requiring the centralized source to disclose information about credit scores to consumers when they order their free credit reports. This disclosure could state that a credit score is number between 300 and 850 indicating the level of repayment risk that the consumer poses to a creditor at the time of the credit inquiry. The higher the score the lower the level of risk suggested by the credit profile of the consumer. If consumers opt to pay to receive a credit score in connection with their request for free credit reports, they should also be advised that their credit score would be calculated by using a generalized credit scoring model. As a result, the score calculated by the generalized credit scoring model may be higher than the credit score calculated by a specific credit scoring model used in connection with an application for a mortgage, a credit card, insurance, or the purchase of a car. This difference exists because each credit scoring model is designed to assess and predict the repayment risk posed by each consumer for a specific type of credit transaction. Each transaction specific model weighs the various factors present in the credit file of each consumer when the inquiry is requested differently than a generalized scoring model does. This difference means the actual scores used by each creditor may differ based on the type of credit transaction the consumer is requesting. Additionally, these

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scores may differ from the scores the consumers receive with their free credit reports. Consumers need to know this possibility exists before paying to purchase their scores. NAMB believes the disclosure of this possibility would clarify the difference that may exist in credit scores issued when a credit report is ordered and used by a specific furnisher of credit in connection with a consumer credit transaction and the scores received by the consumer who orders free reports. The centralized source should make these disclosures since consumers are likely to mistrust creditors trying to explain to them the difference in credit scores when each score is based on the same information. They are likely to dismiss such creditors as entities trying to justify charging them higher interest rates when the rate charged is justified due to the credit risk level indicated by the credit profile of the customer. For these reasons, NAMB believes that the FTC should disclose information about credit scores in connection with requests made by consumers to obtain free credit reports from the centralized source.

NAMB greatly appreciates the opportunity to comment on the proposed rule published by the FTC relating to creation of a centralized source through which consumers can request copies of their credit reports. If you have any questions about my comments, please contact Roy DeLoach at 703-245-8035 or Tobias Moon at 703-610-0205.

Sincerely,

A handwritten signature in black ink, appearing to read "A.W. Pickel III", is written over a thin vertical red line.

A.W. Pickel III, CMC
President