



Reissue/Secondary Use of Credit Reports

NAMB POSITION

Beginning January 1, 2007, new Experian and Equifax fee structures are scheduled to take effect that could increase the cost of obtaining consumer credit reports. NAMB believes that this increase in costs will limit comparison shopping and restrict borrowers' access to credit, and fails to provide the consumer with any benefit.

BACKGROUND

1. To process the mortgage application, determine available loan product options and rates, and secure funding, an Originator's current practice is to pull a tri-merge credit report. This is done in an effort to satisfy Fannie Mae and Freddie Mac's (government sponsored enterprises, or "GSEs") automated underwriting system ("AUS") guidelines.
2. Today, once the Originator has paid the initial fee for the tri-merge credit report, there are no additional bureau fees currently charged for "joint users" (*i.e.*, Fannie Mae, Freddie Mac, wholesale lenders, etc.). Originators obtain these credit reports from resellers and pay either the reseller or the credit reporting agency ("CRA") an established fee for obtaining the credit report. Resellers pay a separate fee for each credit report pulled from the CRAs according to their contracts with the respective CRAs.
3. As of January 1, 2007, two major credit bureaus, Experian and Equifax, will require that additional users, including "joint users," of the credit report be charged a fee every time they see or use the original issued credit report, *i.e.* a reissue fee. These additional fees charged by Experian and Equifax could cost the consumer upwards of \$200 per loan application.
4. The new reissue/secondary use policy is expected to generate significant revenue for the CRAs by artificially increasing the number of transactions for which credit report "reissue fees" will be charged without providing any corresponding consumer benefit.

ISSUES

1. **Cost With No Benefit:** The consumers will bear the cost of these additional "junk fees" without receiving any benefit, either perceived or real. Experian and Equifax will be the only beneficiaries of the revenue generated by this shift in policy. Experian and Equifax will be able to increase their business, with no additional cost, and without providing any benefit to consumers.



2. **Decreased Access to Credit:** Originators will be less inclined to extend their product line to include various wholesale lenders because of the cumbersome certification process that will now be required for the Originator to reissue an original credit report to that wholesalers' underwriting system. Fewer wholesale relationships means less product choice that the Originator can offer to a consumer and reduced access to available credit. Therefore, marginal (*i.e.*, subprime) borrowers will face higher interest rates, less desirable loan product options, or increased loan rejection rates as a direct result of this new reissue/secondary use policy.
3. **Limits Product Options:** The new reissue/secondary use policy directly discourages Originators from contacting various wholesale lenders in seeking approval for a consumer's loan request. This is because with each submission, the consumer will have to pay a "reissue fee" to allow the wholesale lender to review the consumer's credit report file as part of the underwriting process. Thus, the reissue fees have the effect of dampening efforts that are used today to secure loan financing for borrowers.
4. **Marginal Borrowers Hurt:** Marginal borrowers will suffer because Originators already find it difficult to secure funding for those consumers with impaired credit or hard-to-establish income. As a direct result of the new Equifax and Experian policy, these marginal home borrowers will soon incur significantly higher costs to simply gain access to the same funding options available to them today.
5. **First Time Home Buyers Hurt:** This new policy will also severely impact those individuals that are shopping for their first home and/or learning about product options available in the market. Typically, these are the consumers that have the least amount of funds to expend when obtaining a loan.
6. **All Costs are Born By Consumers:** Regardless of the product or industry, consumers end up bearing the costs. This new CRA policy is particularly onerous because the CRAs have a strong hold on the credit reporting market leaving few viable alternatives for the consumer seeking to avoid paying these increased "junk fees."

STATUS/OUTLOOK

NAMB is working to educate all parties involved about the serious concerns raised by this new policy and fee structure. The unnecessary increase in consumer credit costs without any corresponding benefit will harm the consumer. Non-prime, first-time, and minority homebuyers may be denied access to affordable credit due to higher costs.