Rulemaking Petitions Docket
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552
Dear Sir:

I am submitting a petition under Section 553(e) of the Administrative Procedure Act to inquire why the CFPB regulations do not address the topic of validations of credit score models for credit unions as required in Section 701.2l(c)(2) of the *NCUA Rules and Regulations* below.

> When a credit union uses credit scoring, loan policies and procedures must outline how the credit union will do the following:
>
> - Apply them consistently;
> - **Validate them**. At a minimum, the credit union should test and validate the credit scoring model at least every two years; and
> - Track their results. For example, if unexpected delinquency results from credit scoring, the credit union should consider modifying the underlying parameters of the scoring model.
>
> Some credit unions contract with third parties to perform credit scoring. The contract must set forth the responsibilities of the parties, including who assumes responsibility for ensuring that the credit scoring meets applicable regulations.

The Center for Financial Studies/Development has been conducting validation studies for credit unions since 1981 utilizing data from each individual credit union's paying and nonpaying loans granted in the most recent three year period. Validation reports provide the information necessary to measure the efficiency of the credit score being used to measure credit risk. Demographic comparisons of funded and declined applicants can also be used to identify if the underwriting guidelines used in the application of credit scores result in acceptable percentages of financial inclusion for minorities or protected consumer groups.

I believe it would benefit all consumers and support coordination of interagency rules if CFPB were to issue a rule governing the requirement to periodically validate credit scores for all lending or financing entities. A general letter of compliance from the CRA's would not address the misapplication of credit scores by banks, credit card issuers, auto financing groups or individual credit unions that are the primary cause of errors and financial exclusion. Only a statistically valid empirically derived study based on funded and declined loans will resolve many of the issues in consumer lending today.

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