



**Comptroller of the Currency
Administrator of National Banks**

Southwestern District Office
1600 Lincoln Plaza
500 North Akard
Dallas, TX 75201-3394

May 1, 1996

**Interpretive Letter #759
January 1997
15 U.S.C. 1691
12 C.F.R. 202**

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RE: Credit Scoring System

Dear []:

This responds to your letter of April 15, 1996, and confirms our recent telephone conversation. You had asked whether [] ("Bank") might use a different credit scoring system for consumer loans it makes via the Internet than the one it uses for its other consumer loans. As we discussed, such a practice is not prohibited, but it may give rise to questions about the Bank's compliance with the equal Credit Opportunity Act, as amended, 15 U.S.C. § 1691, and its implementing regulation at 12 C.F.R. Part 202 (Regulation B).

As I understand it, the Bank is planning to use the Fair Isaacs Credit Scoring System when making credit decisions on applications received over the Internet. In addition, the Bank is planning to eventually switch to using the Fair Isaacs system for all its other consumer loans, beginning with the new overdraft protection program being handled by its Operations Department. However, the Bank will continue to use the existing judgmental system for loan applications received via telephone, mail, and walk-ins while its Internet loan and overdraft protection programs are getting started.

The OCC does not object to a national bank's use of the Fair Isaacs system for credit scoring purposes. Nor is use of more than one system prohibited. However, while the bank is using two different systems, it is inevitable that similar borrowers will sometimes be treated differently under the two systems. For example, if Borrower A and Borrower B are similarly situated marginal borrowers, but Borrower A is evaluated using the Fair Isaacs system, while Borrower B is evaluated using the Bank's current system, the result of the loan decision may be "yes" for Borrower B but "no" for Borrower A. If this happens, a question will be raised as to whether the Bank is engaging in lending practices which violate Regulation B. i.e., whether the Bank is making its lending decisions using a "prohibited basis" [as defined at 12 C.F.R. § 202.2(z)]. To

counter this problem, decisions using a "prohibited basis" [as defined at 12 C.F.R. § 202.2(z)]. To counter this problem, the Bank should monitor the decisions being made under each system, make corrections as appropriate, and thoroughly document its decision. For additional information, please refer to *Fair Lending: Self Assessment by National Banks*, OCC Bulletin 95-51 (Sept. 15, 1995).

If you have any additional questions or comments on this matter, please feel free to contact this office again.

Sincerely yours,

(**Signed**)

Elizabeth H. Corey
Senior Attorney