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Make every decision count.™

August 15, 2012

Sent by email

The Honorable Edward J. Markey
U.S. House of Representatives
2108 Rayburn House Office Building
Washington D.C. 20515

The Honorable Joe Barton
U.S. House of Representatives
2109 Rayburn House Office Building
Washington D.C. 20515

The Honorable Henry Waxman
U.S. House of Representatives
2204 Rayburn House Office Building
Washington D.C. 20515

The Honorable Steve Chabot
U.S. House of Representatives
2351 Rayburn House Office Building
Washington D.C. 20515

The Honorable G.K. Butterfield
U.S. House of Representatives
2305 Rayburn House Office Building
Washington D.C. 20515

The Honorable Austin Scott
U.S. House of Representatives
516 Cannon House Office Building
Washington D.C. 20515

The Honorable Bobby Rush
U.S. House of Representatives
2268 Rayburn House Office Building
Washington D.C. 20515

The Honorable Jan Schakowsky
U.S. House of Representatives
2367 Rayburn House Office Building
Washington D.C. 20515

Dear Representatives Markey, Barton, Waxman, Chabot, Butterfield, Scott, Rush, and Schakowsky:

This letter is in response to your July 25, 2012 letter to Fair Isaac Corporation (FICO) with regard to the business of data brokerage. With respect, let us clear up a misunderstanding you may have about FICO and our business model; we do not believe FICO is a data broker as that term is commonly understood. While it is a common practice for businesses to use consumer data to inform their marketing decisions, and FICO has business clients that use consumer data from many sources for that purpose, FICO is not in the data brokerage business. More specifically, while we assist our clients by providing sophisticated decision management solutions, we do not aggregate consumer data from numerous offline and online sources to develop consumer profiles for sale to our clients or any other third party.

About FICO

Since 1958, FICO has been applying its experience and expertise in predictive analytics by offering software solutions to companies for making risk management and other business decisions. We offer a wide range of scores, tools and applications, including the FICO® Score. Since it was first introduced in

1989, the FICO Score has become the standard measure of credit risk for lenders making credit decisions. Also, FICO Scores are the credit risk underwriting standard for all FHA-insured loans as well as all mortgage loans sold to Fannie Mae and Freddie Mac. Our scores, including the FICO Score, are generated from analytic models that we build with depersonalized data and then generally license to other parties, such as the credit bureaus, for their use to calculate scores using data they own or license from others. Depersonalized data is data where all identifiers to the individual have been removed, thus the data is not and cannot be used to identify any individual. In addition to developing analytic models that assess credit risk (like the FICO Score), we also develop analytic models that are used to predict other outcomes, such as the likelihood of credit or debit card fraud, and to predict applicant or policyholder insurance loss risk.

In addition to our analytic **models**, FICO provides decision management **tools** for making business decisions. These tools do not provide consumer data at all, but are software products that our clients use to create their own decision management applications. They include:

FICO® Blaze Advisor® is a business rules management system that provides companies across industries with a scalable solution for business decisions.

FICO® Xpress Optimization Suite is a suite of tools that includes a robust mathematical modeling/programming language and a full range of powerful optimization engines to help businesses handle large-scale, complex problems.

FICO® Model Builder is a tool used by modelers to develop, deploy and continually improve analytic models within a collaborative, extensible environment, fostering innovation and facilitating reuse of modeling components across multiple projects.

FICO® Decision Optimizer is a tool that enables complex, large-scale optimizations involving dozens of networked action-effect models, and enables exploration and simulation of many optimized scenarios along an efficient frontier of options.

FICO® Model Central is a tiered, scalable platform designed to help businesses more effectively and efficiently maximize the performance of their analytic models across the entire model lifecycle.

In addition to our decision management **tools**, FICO provides decision management **applications** for marketing, originations, customer management, collections and recovery, and fraud. Like our tools, these applications also do not provide consumer data to clients. They are pre-configured decision management applications designed for a specific type of business problem or process. They include:

- Marketing

FICO® Customer Dialogue Manager is a multi-channel marketing platform that enables marketers to design, execute and manage campaigns that engage customers across all channels.

FICO® Analytic Offer Manager harnesses the combined power of predictive analytics and optimization capabilities to deliver the most effective offers to customers.

- Originations

FICO® Origination Manager is a next-generation, application-to-decision originations solution designed to help drive portfolio profitability through optimized decision strategies.

FICO® LiquidCredit® Service is focused on enabling credit decisions and is offered largely to mid-tier banking institutions.

FICO® Capstone® Decision Manager is a comprehensive solution for making individualized credit application decisions at high volumes and speeds, while capturing all data, rules and actions involved in the process.

- Customer Management

FICO® TRIAD® Customer Manager is a leading credit account and customer management solution, with advanced analytics and unmatched strategy consulting and tools.

- Collections & Recovery

FICO® Debt Manager® improves the productivity and effectiveness of our clients' collection and recovery efforts.

FICO® Recovery Management™ allows our clients to maximize recoveries from charged-off debt portfolios.

FICO® PlacementsPlus® Service is an account placement optimization and management system.

- Fraud

FICO® Falcon® Fraud Manager provides an accurate and comprehensive solution for detecting payment card fraud, reducing losses.

FICO® Card Alert Service provides a first line of defense against counterfeit debit card and ATM deposit fraud.

FICO® Fraud Predictor with Merchant Profiles is used in conjunction with Falcon Fraud Manager to improve fraud detection rates with merchant profiles.

FICO® Insurance Fraud Manager detects fraud, abuse and error in health care claims before payment and identifies suspicious providers as soon as aberrant behavior patterns emerge. It accelerates claims processing and saves money by avoiding improper payments, increasing loss recovery, and correcting systemic vulnerabilities.

These scores, tools, and applications are the core of our business. Using advanced predictive analytic techniques, FICO provides management solutions for each aspect of a company's relationship with its customers: beginning with the question of who should be solicited; the standards for acceptance; customer management; claims management; fraud detection and prevention; and collections and recovery.

Questions and Responses

1. *Please provide a list of each entity (including private sources and government agencies and offices) that has provided data from or about consumers to you or your contractors or affiliates from January 2009 through the present.*

A: FICO acquires and uses only depersonalized credit data from credit bureaus to build our credit risk models and other analytic models, such as the FICO® score, so that there is no possibility of bias or discrimination in the final model. In the US, the credit bureaus include Equifax, TransUnion, and Experian.

FICO also acquires data from our clients, which include thousands of companies in over 90 countries. We use consumer data that we get from our clients when we build custom models for our clients' use. We may acquire information about individuals from third party sources on behalf of clients when we build models to assist these clients, but we do not share that information with third parties.

We may also acquire demographic information from third party sources when we build our fraud models and precision marketing models, but we generally do not retain that data, and we do not commingle consumer information collected for one purpose with any other consumer information in order to sell it to third parties.

Finally, our consumer-facing business, myFICO.com, requests information from our customers in order to process their purchases of FICO scores and other FICO products. This information is retained while the individual is a current customer, and it is not shared with third parties, nor is it used for purposes of model building in other parts of our business.

2. *Please list each type of data you or your affiliates or enterprise partners has collected from or about consumers, including racial, ethnic, or religious information, from January 2009 through the present.*

A: FICO acquires and uses only depersonalized credit data from credit bureaus to build our credit risk models and other analytic models, such as the FICO® score, so that there is no possibility of bias or discrimination in the final model. In the US, the credit bureaus include Equifax, TransUnion, and Experian. Our clients include thousands of companies in over 90 countries. In addition, we use consumer data that we get from our clients when we build custom models for our clients' use. We may also use demographic information when we build our fraud models and precision marketing models, but we generally do not retain that data, and we do not commingle consumer information collected for one purpose with any other consumer information in order to sell it to third parties.

We provide models and tools to assist our clients to make better business decisions. To support these business solutions, FICO also provides business-consulting services to its clients, in which we may have access to our clients' customer information, but we do not share that information with any other client. We sometimes acquire information about individuals from third party sources on behalf of clients when we build models to assist these clients, but we do not share that information with third parties. Our solutions are customized to the unique needs of each client, and we consult with our clients on the best use of the models, applications, and tools we provide them.

We may also host our products to more efficiently deliver them to our clients, and we also make available supplemental data management services to our business clients. When hosting our products and providing these supplemental services, we may receive consumer data from our clients and license on our clients' behalf specific databases created by data providers and house this data at FICO in order to deliver the specific product or service to each client. In these cases, FICO does not itself collect and aggregate consumer data: we license databases of consumer information that have already been created, on behalf of our clients, who could readily acquire the same databases without FICO as the middleman.

We have a similar service to assist our business clients to manage access to their data needs, called FICO Network, which provides clients with on-demand, single point access to certain commercial databases and data providers. Data accessed in this way can be used by our clients to enhance the effectiveness of their marketing activities. In this service, FICO operates solely as a conduit to give its clients a single point of contact with access to commercial databases in the marketplace. FICO does not collect or retain the data in those databases or aggregate the data; FICO simply acts as the client's agent to get access to these databases.

In all of the cases described above, FICO does not create these databases, nor contribute to them. FICO may sublicense data from commercial databases and data providers for its clients. One such database, called "Total Source", is licensed from Epsilon, a data broker. FICO licenses that database on behalf of its clients, solely for the purpose of assisting clients in managing its own customers, and sometimes to assist the client in making prescreened offers to potential customers. FICO does not commingle consumer information acquired in these data management relationships with any other consumer information from any other source to create consumer profiles for sale to third parties.

In addition, our consumer-facing business, myFICO.com, requests information from our customers in order to process their purchases of FICO scores and other FICO products. This information is retained while the individual is a current customer, and it is not shared with third parties, nor is it used for purposes of model building in other parts of our business.

3. Please describe each method by which you have collected information from or about consumers from January 2009 through the present and answer the following questions:

A: FICO acquires and uses only depersonalized credit data from credit bureaus to build our credit risk models and other analytic models, such as the FICO® score, so that there is no possibility of bias or discrimination in the final model. In the US, the credit bureaus include Equifax, TransUnion, and Experian.

FICO also acquires data from our clients, which include thousands of companies in over 90 countries. We use consumer data that we get from our clients when we build custom models for our clients' use. We may acquire information about individuals from third party sources on behalf of clients when we build models to assist these clients, but we do not share that information with third parties.

We may also acquire demographic information from third party sources when we build our fraud models and precision marketing models, but we generally do not retain that data, and we do not commingle consumer information collected for one purpose with any other consumer information in order to sell it to third parties.

Finally, our consumer-facing business, myFICO.com, requests information from our customers in order to process their purchases of FICO scores and other FICO products. This information is retained while the individual is a current customer, and it is not shared with third parties, nor is it used for purposes of model building in other parts of our business.

a. Do you use social media to collect information about consumers?

A: No

If yes, what types of information do you collect from social networks (i.e., friends, interests, etc.)?

If yes, from what platforms do you collect this information?

b. Do you collect data on consumers' mobile use and activity?

A: No, except that we collect data for our own internal purposes on how many consumers access myFICO.com from a mobile device. That information is not shared with any third parties.

If yes, what types of information do you collect about consumers' mobile use and activity? If yes, for what purposes is this information used (i.e., targeting on real-time ad exchanges)?

4. Please explain each product or service, both online and offline, that you have offered to third parties from January 2009 to the present that uses data collected from or about consumers. For each product or service, please describe:

a. Each type of data that is used in or by the product or service.

A: FICO uses consumer data that we get from our clients when we build custom models for our clients' use. We may also use demographic information when we build our fraud models and precision marketing models, but we generally do not retain that data, except when we are hosting a client's solution, or for use in building new models (after the data has been depersonalized). We do not commingle consumer information collected for one purpose with any other consumer information in order to sell it to third parties.

Our consumer-facing business, myFICO.com, requests information from our customers in order to process their purchases of FICO scores and other FICO products. This information is retained while the individual is a current customer, and it is not shared with third parties, nor is it used for purposes of model building in other parts of our business.

b. Each type of entity that you sell or otherwise provide the product or service to.

A: FICO also acquires data from our clients, which include thousands of companies in over 90 countries. We use consumer data that we get from our clients when we build custom models for our clients' use. We may acquire information about individuals from third party sources on behalf of clients when we build models or perform data management services to assist these clients, but we do not share that information with third parties.

c. Any prohibitions or restrictions (i.e., contractual, technological, etc.) on the sale or use of the product or service.

A: There are strict contractual restrictions on the sale or use of the products by third parties.

d. Whether or not the products or services involve lead-generation, including the sale of offer clicks or leads. If so, please explain.

A: No

e. Whether or not the products, services, or business practices subject you or any affiliates to the Fair Credit Reporting Act (FCRA).

A: No

If so, what products or services are subject to FCRA?

f. Whether or not your company maintains completely separate, firewalled databases or data used for both FCRA and non-FCRA purposes.

A: Not applicable.

If used for both purposes, please explain.

5. *Are consumers able to access personal information that is held by your company?*

If no, why not? If yes:

a. *How may consumers access this information?*

b. *What information are consumers given access to? Please list each type of information.*

c. *How are consumers made aware of their right to access this information?*

d. *What kinds of personal information are they required to provide to verify their identities?*

e. *Do your terms of service allow you secondary uses of that verification information? If yes, what uses?*

f. *How many consumers have requested access and how many requests has your company complied with?*

g. *How long has your company provided consumers with this access?*

A (including all subparts of Q5): Consumers who have accounts with myFICO can access their own accounts with myFICO at any time. myFICO does not collect information about its customers, except for the information supplied by the customers themselves when they apply for a myFICO product or service. myFICO stores the application information along with the customer's credit report, which was obtained from a credit bureau upon the written instructions of the customer and delivered to the customer. Consumers have access to the data FICO collects about them at all times when they become myFICO customers (application data and their credit report), including the ability to correct or delete that data.

Any other consumer data held by FICO is data owned by our clients, and hosted by FICO on their behalf. FICO may receive consumer data when FICO builds custom solutions for its clients who are utilizing one or more of FICO's marketing solutions, as described above. Consumers do not have access to this information hosted by FICO, collected as part of the business solutions. FICO does not give consumers the right to correct, opt-out, or delete the data hosted by FICO. Consumers' rights of access to that data are determined by the policies of our clients, not FICO.

6. *Are consumers able to correct personal information that is held by your company? If no, why not? If yes:*

a. *How may consumers request corrections?*

b. *How are consumers made aware of their right to correct this information?*

c. *What kinds of personal information are they required to provide to verify their identities?*

d. *Do your terms of service allow you secondary uses of that verification information? If yes, what uses?*

e. *How many consumers have requested corrections and how many has your company corrected?*

f. *How long has your company provided consumers with this option to request correction?*

A (including all subparts of Q6): Consumers who have accounts with myFICO can access their own accounts and the data FICO collects about them at all times when they become myFICO customers (application data and their credit report), including the ability to correct that data. myFICO does not collect information about its customers, except for the information supplied by the customers themselves when they apply for a myFICO product or service. myFICO stores the application information along with the customer's credit report, which was obtained from a credit bureau upon the written instructions of the customer and delivered to the customer.

Any other consumer data held by FICO is data owned by our clients, and hosted by FICO on their behalf. FICO may receive consumer data when FICO builds custom solutions for its clients who are utilizing one or more of FICO's marketing solutions, as described above. Consumers do not have access to this information hosted by FICO, collected as part of the business solutions. FICO does not give consumers the right to correct, opt-out, or delete the data hosted by FICO. Consumers' rights of correction of that data are determined by the policies of our clients, not FICO.

7. *Are consumers able to opt-out of the use or sharing of personal information about them? If no, why not?*

If yes:

a. *Is this a simple, full opt-out or do consumers select from a range of limited opt-out options? Please describe the various options that are offered.*

b. *Does this opt-out completely prohibit all uses, including collecting and targeting, or is it limited to opt-out targeting?*

c. *How many consumers opt-out?*

d. *How are consumers made aware of their right to opt-out?*

e. *What kinds of personal information are they required to provide to verify their identities?*

f. *Do your terms of service allow you secondary uses of that verification information? If yes, what uses?*

g. *How many consumers have requested to opt-out and how many requests has your company complied with?*

h. *How long has your company provided consumers with the option to opt-out?*

A (including all subparts of Q7): Not applicable with respect to FICO's business clients. Any other consumer data held by FICO is data owned by our clients, and hosted by FICO on their behalf. FICO does not give consumers the right to opt-out of the use or sharing of the data hosted by FICO: consumers' rights of access to that data are determined by the policies of our clients, not FICO. Consumers who have accounts with myFICO have the right to opt out of information sharing with third parties or affiliates, as described in myFICO's privacy policy, located online at myFICO.com. However, at this time, myFICO does not share consumer information with any third parties.

8. *Are consumers able to request the deletion of their personal information? If not, why not? If yes:*

a. *How many consumers request deletion?*

* * *

d. *Do your terms of service allow you secondary uses of that verification information? If yes, what uses?*

e. *How many consumers have requested deletion and how many requests has your company complied with?*

f. *How long has your company provided consumers with this option to request deletion?*

A (including all subparts of Q8): Consumers who have accounts with myFICO can access their own accounts and the data FICO collects about them at all times when they become myFICO customers (application data and their credit report), including the ability to delete that data. myFICO does not collect information about its customers, except for the information supplied by the customers themselves when they apply for a myFICO product or service. myFICO stores the application information along with the customer's credit report, which was obtained from a credit bureau upon the written instructions of the customer and delivered to the customer.

Any other consumer data held by FICO is data owned by our clients, and hosted by FICO on their behalf. FICO may receive consumer data when FICO builds custom solutions for its clients who are utilizing one or more of FICO's marketing solutions, as described above. Consumers do not have access to this information hosted by FICO, collected as part of the business solutions. FICO does not give consumers the right to correct, opt-out, or delete the data hosted by FICO. Consumers' rights of correction of that data are determined by the policies of our clients, not FICO.

9. Does the company charge consumers a fee for any access, correction, opt-out, or deletion services?

A: No

If yes, state the amount the company charges for each service. If yes, what is the total revenue earned by the company through such fees during each of the last five years?

10. How does your company store each type of data collected from or about consumers (please distinguish between types of data, if applicable)? What security measures do you have in place to safeguard the data collected?

A: FICO uses storage arrays which have AES-256 encryption. These arrays are used for all data storage and access to that data is limited by the 'Principle of Least Privilege' which means only employees who are authorized and have a need to access that information are given the means to do so.

11. What encryption protocols or other security measures do you put in place to prevent the loss or acquisition of data that is transferred between your company and outside entities?

A: FICO has a variety of methods available to protect data in-transit with our customers. In addition to point-to-point data circuits, we use SSL VPN connections, access control lists based on IP addresses, SFTP, Connect:Direct, and PGP encryption of data for secure transfer.

12. What review process do you have in place for entities who wish to purchase personal information from you (i.e., do you evaluate their data security measures or whether the entity is a legitimate business)?

A: We do not sell personal information to third parties, except when hosting our products and providing the supplemental services to our clients, we may receive a fee for acquiring databases on behalf of our clients. In this case, FICO does not itself collect and aggregate consumer data: we license databases of consumer information that have already been created, on behalf of our clients, who could readily acquire the same databases without FICO as the middleman.

We may also earn a fee when we assist our business clients to manage access to their data needs with FICO Network, which provides clients with on-demand, single point access to certain commercial databases and data providers. Data accessed in this way can be used by our clients to enhance the effectiveness of their marketing activities. In this service, FICO operates solely as a conduit to give its clients a single point of contact with access to commercial databases in the marketplace. FICO does not collect or retain the data in those databases or aggregate the data; FICO simply acts as the client's agent to get access to these databases.

Do you conduct any follow-up audits? If not, why not?

A: Not applicable because FICO is only the middleman for any data acquired by our clients.

If yes, please describe the nature and timing of these audits.

13. Do you provide notice to consumers about your data collection, use, or sharing practices? If no, why not? If yes, please describe how you provide this notice.

A: FICO, and its consumer-facing business, myFICO.com, publish their Privacy Policies on their respective Websites to provide transparency around our information collection, use, and sharing practices.

14. Does your company compile information from or about children or teens?

A: No

If yes:

a. Do you also sell or otherwise provide this information to another entity?

b. Do you distinguish between information about children ages 12 and under from information about teenagers ages 13-17?

c. Are different procedures in place to allow children and teens to access, correct, or delete their personal information, or opt-out of sharing of this personal information? If not, why not?

We hope this information is responsive to your questions and provides a greater understanding of the products and services FICO delivers to its clients.

Respectfully submitted,

A handwritten signature in black ink that reads "William J. Lansing". The signature is written in a cursive style and is contained within a thin black rectangular border.

William J. Lansing
Chief Executive Officer
FICO