<https://forums.iis.net/t/1180159.aspx>

If you’re being prompted to enter your credentials when accessing a subfolder on your site called “Reports” you can do one of two things:

Rename the folder

or

I figured it out myself but in case any one else needs this information it is caused by installing SQL Server Reporting Services for SQL Server 2008.

I went to the Add/Remove Programs area (Programs and Features in SQL Server 2008), and started an uninstall of SQL Server 2008, I would get the option to remove the Reporting Services feature of SQL.  Once that was removed then it worked just like it should.

This happens for virtual folders as well in cases when your page is routing folders through some singular controller.