

114TH CONGRESS
1ST SESSION

H. R. 4211

To require Fannie Mae and Freddie Mac to establish procedures for considering certain credit scores in making a determination whether to purchase a residential mortgage, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 10, 2015

Mr. ROYCE (for himself and Ms. SEWELL of Alabama) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To require Fannie Mae and Freddie Mac to establish procedures for considering certain credit scores in making a determination whether to purchase a residential mortgage, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Credit Score Competi-
5 tion Act of 2015”.

6 **SEC. 2. CREDIT SCORE VALIDATION; VALIDATION PROCESS.**

7 (a) USE OF CREDIT SCORES BY FANNIE MAE IN
8 PURCHASING RESIDENTIAL MORTGAGES.—Subsection (b)

1 of section 302 of the Federal National Mortgage Associa-
2 tion Charter Act (12 U.S.C. 1717(b)) is amended by add-
3 ing at the end the following new paragraph:

4 “(7)(A) USE OF CREDIT SCORES.—The corporation
5 may condition its purchase of a residential mortgage
6 under this section on the provision of a credit score for
7 the borrower only if—

8 “(i) the credit score is derived from any credit
9 scoring model that has been validated and approved
10 by the corporation under this paragraph;

11 “(ii) the corporation has established and made
12 publicly available a description of the process the
13 corporation will use to validate and approve credit
14 scoring models, which process shall comply with any
15 standards and criteria established by the Director of
16 the Federal Housing Finance Agency pursuant to
17 section 1328 of the Federal Housing Enterprises Fi-
18 nancial Safety and Soundness Act of 1992; and

19 “(iii) the corporation provides for the use of
20 such credit score by all of its automated under-
21 writing systems and any other procedures and sys-
22 tems used to purchase residential mortgages.

23 “(B) VALIDATION AND APPROVAL PROCESS.—The
24 process described in subparagraph (A)(ii) shall include an
25 evaluation of—

1 “(i) the criteria used to validate and approve a
2 credit scoring model, including measures of the in-
3 tegrity, reliability, and accuracy of such model, and
4 an assurance that such model is consistent with the
5 safe and sound operation of the corporation; and

6 “(ii) the data necessary for the validation of the
7 credit scoring model.

8 “(C) APPLICATION.—If the corporation elects to use
9 a credit score under this paragraph, the corporation shall
10 solicit applications from developers of credit scoring mod-
11 els for the validation and approval of such models under
12 the process described in subparagraph (A)(ii).

13 “(D) TIMEFRAME FOR DETERMINATION; NOTICE.—

14 “(i) IN GENERAL.—The corporation shall estab-
15 lish a date before which the corporation shall make
16 a determination with respect to any application sub-
17 mitted under subparagraph (C) and provide notice
18 of such determination to the applicant. Such date
19 shall not be later than 180 days after the date on
20 which an application is submitted to the corporation.

21 “(ii) EXTENSIONS.—The Director of the Fed-
22 eral Housing Finance Agency may authorize up to
23 2 extensions of the date established under clause (i),
24 each of which shall not exceed 30 days, upon the

1 written request and a showing of good cause by the
2 corporation.

3 “(iii) STATUS NOTICE.—The corporation shall
4 provide notice to an applicant regarding the status
5 of an application submitted under subparagraph (C)
6 not later than 60 days after the date on which the
7 application was submitted to the corporation.

8 “(iv) REASONS FOR DISAPPROVAL.—If an appli-
9 cation is disapproved, the corporation shall provide
10 to the applicant the reasons for the disapproval not
11 later than 30 days after a determination is made
12 under this subparagraph.

13 “(E) AUTHORITY OF DIRECTOR.—If the corporation
14 elects to use a credit score under this paragraph, the Di-
15 rector of the Federal Housing Finance Agency shall re-
16 quire the corporation to routinely update the validation
17 and approval process described in subparagraph (A)(ii) as
18 the Director, in the Director’s discretion, deems to be nec-
19 essary to ensure such process remains appropriate and
20 adequate and complies with any standards and criteria es-
21 tablished pursuant to section 1328 of the Federal Housing
22 Enterprises Financial Safety and Soundness Act of 1992.

23 “(F) CREDIT SCORE DEFINED.—In this paragraph,
24 the term ‘credit score’ means a numerical value or a cat-
25 egorization derived from a statistical tool or modeling sys-

1 tem used by a person who makes or arranges a loan to
2 predict the likelihood of certain credit behaviors, including
3 default.”.

4 (b) USE OF CREDIT SCORES BY FREDDIE MAC IN
5 PURCHASING RESIDENTIAL MORTGAGES.—Section 305 of
6 the Federal Home Loan Mortgage Corporation Act (12
7 U.S.C. 1454) is amended by adding at the end the fol-
8 lowing new subsection:

9 “(d)(1) USE OF CREDIT SCORES.—The Corporation
10 may condition its purchase of a residential mortgage
11 under this section on the provision of a credit score for
12 the borrower only if—

13 “(A) the credit score is derived from any credit
14 scoring model that has been validated and approved
15 by the Corporation under this subsection;

16 “(B) the Corporation has established and made
17 publicly available a description of the process the
18 corporation will use to validate and approve credit
19 scoring models that, which process shall comply with
20 any standards and criteria established by the Direc-
21 tor of the Federal Housing Finance Agency pursu-
22 ant to section 1328 of the Federal Housing Enter-
23 prises Financial Safety and Soundness Act of 1992;
24 and

1 “(C) the Corporation provides for use of such
2 credit score by all of its automated underwriting sys-
3 tems and any other procedures and systems used to
4 purchase residential mortgages.

5 “(2) VALIDATION AND APPROVAL PROCESS.—The
6 process described in paragraph (1)(B) shall include an
7 evaluation of—

8 “(A) the criteria used to validate and approve
9 a credit scoring model, including measures of the in-
10 tegrity, reliability, and accuracy of such model and
11 an assurance that such model is consistent with the
12 safe and sound operation of the Corporation; and

13 “(B) the data necessary for the validation of
14 the credit scoring model.

15 “(3) APPLICATION.—If the Corporation elects to use
16 a credit score under this subsection, the Corporation shall
17 solicit applications from developers of credit scoring mod-
18 els for the validation and approval of such models under
19 the process described in paragraph (1)(B).

20 “(4) TIMEFRAME FOR DETERMINATION; NOTICE.—

21 “(A) IN GENERAL.—The Corporation shall es-
22 tablish a date before which the Corporation shall
23 make a determination with respect to any applica-
24 tion submitted under paragraph (3) and provide no-
25 tice of such determination to the applicant. Such

1 date shall not be later than 180 days after the date
2 on which an application is submitted to the Corpora-
3 tion.

4 “(B) EXTENSIONS.—The Director of the Fed-
5 eral Housing Finance Agency may authorize up to
6 2 extensions of the date established under subpara-
7 graph (A), each of which shall not exceed 30 days,
8 upon the written request and a showing of good
9 cause by the Corporation.

10 “(C) STATUS NOTICE.—The Corporation shall
11 provide notice to an applicant regarding the status
12 of an application submitted under paragraph (3) not
13 later than 60 days after the date on which the appli-
14 cation was submitted to the corporation.

15 “(D) REASONS FOR DISAPPROVAL.—If an ap-
16 plication is disapproved, the corporation shall pro-
17 vide to the applicant the reasons for the disapproval
18 not later than 30 days after a determination is made
19 under this paragraph.

20 “(5) AUTHORITY OF DIRECTOR.—If the Corporation
21 elects to use a credit score under this subsection, the Di-
22 rector of the Federal Housing Finance Agency shall re-
23 quire the Corporation to routinely update the validation
24 and approval process described in paragraph (1)(B) as the
25 Director, in the Director’s discretion, deems to be nec-

1 essary to ensure such process remains appropriate and
 2 adequate and complies with any standards and criteria es-
 3 tablished pursuant to section 1328 of the Federal Housing
 4 Enterprises Financial Safety and Soundness Act of 1992.

5 “(6) CREDIT SCORE DEFINED.—In this subsection,
 6 the term ‘credit score’ means a numerical value or a cat-
 7 egorization derived from a statistical tool or modeling sys-
 8 tem used by a person who makes or arranges a loan to
 9 predict the likelihood of certain credit behaviors, including
 10 default.”.

11 **SEC. 3. AUTHORITY OF DIRECTOR OF THE FEDERAL HOUS-**
 12 **ING FINANCE AGENCY.**

13 Subpart A of part 2 of subtitle A of the (12 U.S.C.
 14 4541 et seq.) is amended by adding at the end the fol-
 15 lowing new section:

16 **“SEC. 1328. REGULATIONS FOR USE OF CREDIT SCORES.**

17 “The Director may, by regulation, establish stand-
 18 ards and criteria for any process used by an enterprise
 19 to validate and approve credit scoring models pursuant to
 20 section 302(b)(7) of the Federal National Mortgage Asso-
 21 ciation Charter Act and section 305(d) of the Federal
 22 Home Loan Mortgage Corporation Act.”.

1 **SEC. 4. EFFECTIVE DATE.**

2 The amendments made by this Act shall take effect

3 180 days after the date of enactment of this Act.

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