

115TH CONGRESS  
1ST SESSION

# H. R. 898

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.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 7, 2017

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

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## 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 2017”.

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  
9 credit scoring model that has been validated  
10 and approved by the corporation under this  
11 paragraph;

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

21 “(iii) the corporation provides for the use  
22 of such credit score by all of its automated un-  
23 derwriting systems and any other procedures  
24 and systems used to purchase residential mort-  
25 gages.

1 “(B) VALIDATION AND APPROVAL PROCESS.—The  
2 process described in subparagraph (A)(ii) shall include an  
3 evaluation of—

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

9 “(ii) the data necessary for the validation of the  
10 credit scoring model.

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

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

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

24 “(ii) EXTENSIONS.—The Director of the Fed-  
25 eral Housing Finance Agency may authorize up to

1        2 extensions of the date established under clause (i),  
2        each of which shall not exceed 30 days, upon the  
3        written request and a showing of good cause by the  
4        corporation.

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

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

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

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

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

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

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

19               “(B) the Corporation has established and made  
20 publicly available a description of the process the  
21 corporation will use to validate and approve credit  
22 scoring models, which shall comply with any stand-  
23 ards and criteria established by the Director of the  
24 Federal Housing Finance Agency pursuant to sec-

1       tion 1328 of the Federal Housing Enterprises Fi-  
2       nancial Safety and Soundness Act of 1992; and

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

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

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

15              “(B) the data necessary for the validation of  
16       the credit scoring model.

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

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

23              “(A) IN GENERAL.—The Corporation shall es-  
24       tablish a date before which the Corporation shall  
25       make a determination with respect to any applica-

1       tion submitted under paragraph (3) and provide no-  
2       tice of such determination to the applicant. Such  
3       date shall not be later than 180 days after the date  
4       on which an application is submitted to the Corpora-  
5       tion.

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

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

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

22              “(5) AUTHORITY OF DIRECTOR.—If the Corporation  
23      elects to use a credit score under this subsection, the Di-  
24      rector of the Federal Housing Finance Agency shall re-  
25      quire the Corporation to routinely update the validation

1 and approval process described in paragraph (1)(B) as the  
 2 Director, in the Director’s discretion, deems to be nec-  
 3 essary to ensure such process remains appropriate and  
 4 adequate and complies with any standards and criteria es-  
 5 tablished pursuant to section 1328 of the Federal Housing  
 6 Enterprises Financial Safety and Soundness Act of 1992.

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

13 **SEC. 3. AUTHORITY OF DIRECTOR OF THE FEDERAL HOUS-**  
 14 **ING FINANCE AGENCY.**

15 Subpart A of part 2 of subtitle A of the Federal  
 16 Housing Enterprises Financial Safety and Soundness Act  
 17 of 1992 (12 U.S.C. 4541 et seq.) is amended by adding  
 18 at the end the following new section:

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

20 “The Director may, by regulation, establish stand-  
 21 ards and criteria for any process used by an enterprise  
 22 to validate and approve credit scoring models pursuant to  
 23 section 302(b)(7) of the Federal National Mortgage Asso-  
 24 ciation Charter Act and section 305(d) of the Federal  
 25 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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