

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.

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## 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

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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 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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