

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO H.R. \_\_\_\_\_**

**OFFERED BY MR. LYNCH OF MASSACHUSETTS**

**[relating to the Clarity in Credit Score Formation Act of 2019]**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Clarity in Credit Score  
3 Formation Act of 2019”.

**4 SEC. 2. FINDINGS.**

5 Congress finds the following:

6 (1) The February 2015 report of the Bureau of  
7 Consumer Financial Protection titled “Consumer  
8 Voices on Credit Reports and Scores” found that  
9 some consumers are reluctant to comparison shop  
10 for loans and other types of consumer credit prod-  
11 ucts out of fear that they will lower their credit  
12 scores by doing so.

13 (2) The Bureau of Consumer Financial Protec-  
14 tion found that one of the most common barriers for  
15 people in reviewing their own credit reports and  
16 shopping for the best credit terms was a lack of un-  
17 derstanding of the differences between “soft” and

1 “hard” inquiries and whether requesting a copy of  
2 their own report would adversely impact their credit  
3 standing.

4 (3) The Bureau of Consumer Financial Protec-  
5 tion revealed that consumers with accurate percep-  
6 tions of their creditworthiness may be better  
7 equipped to shop for favorable credit terms.

8 **SEC. 3. CFPB OVERSIGHT OF CREDIT SCORING MODELS.**

9 (a) IN GENERAL.—The Fair Credit Reporting Act  
10 (15 U.S.C. 1681 et seq.) is amended—

11 (1) by adding at the end the following new sec-  
12 tion:

13 **“§ 630. Credit scoring models**

14 “(a) VALIDATED CREDIT SCORING MODELS.—Not  
15 later than 1 year after the date of the enactment of this  
16 section, the Bureau shall issue final regulations applicable  
17 to any person that creates, maintains, or purchases credit  
18 scoring models used in making credit decisions to establish  
19 standards for validating the accuracy and predictive value  
20 of all such credit scoring models, both before release for  
21 initial use and at regular intervals thereafter, for as long  
22 as such credit scoring models are made available for pur-  
23 chase or use by such person.

24 “(b) PROHIBITION.—At least once every 2 years, the  
25 Bureau shall conduct a review of credit scoring models to

1 determine whether the use of any particular factors, or  
2 the weight or consideration given to certain factors by  
3 credit scoring models, is inappropriate, including if such  
4 factors do not enhance or contribute to the accuracy and  
5 predictive value of the models. Upon the conclusion of its  
6 review, the Bureau may prohibit a person described in  
7 subsection (a) from weighing, considering, or including  
8 certain factors in, or making available for purchase or use,  
9 certain credit scoring models or versions, as the Bureau  
10 determines appropriate.”; and

11 (2) in the table of contents for such Act, by  
12 adding at the end the following new item:

“630. Credit scoring models.”.

13 (b) RULEMAKING.—Not later than the end of the 2-  
14 year period beginning on the date of the enactment of this  
15 Act, the Bureau of Consumer Financial Protection shall  
16 issue final rules to implement the amendments made by  
17 this section.

18 **SEC. 4. CFPB STUDY AND REPORT TO CONGRESS ON THE**  
19 **IMPACT OF NON-TRADITIONAL DATA.**

20 (a) STUDY.—The Bureau of Consumer Financial  
21 Protection shall carry out a study to assess the impact  
22 (including the availability and affordability of credit and  
23 other noncredit decisions, the potential positive and nega-  
24 tive impacts on consumer credit scores, and any unin-  
25 tended consequences) of using traditional modeling tech-

1 niques or alternative modeling techniques to analyze non-  
2 traditional data from a consumer report and of including  
3 non-traditional data on consumer reports on the following:

4 (1) Consumers with no or minimal traditional  
5 credit history.

6 (2) Traditionally underserved communities and  
7 populations.

8 (3) Consumers residing in rural areas.

9 (4) Consumers residing in urban areas.

10 (5) Racial and ethnic minorities and women.

11 (6) Consumers across various income strata,  
12 particularly consumers earning less than 120 per-  
13 cent of the area median income (as defined by the  
14 Secretary of Housing and Urban Development).

15 (7) Immigrants, refugees, and non-permanent  
16 residents.

17 (8) Minority financial institutions (as defined  
18 under section 308(b) of the Financial Institutions  
19 Reform, Recovery, and Enforcement Act of 1989  
20 (12 U.S.C. 1463 note)) and community financial in-  
21 stitutions.

22 (9) Consumers residing in federally assisted  
23 housing, including consumers receiving Federal rent-  
24 al subsidies.

1 (b) ADDITIONAL CONSIDERATIONS.—In assessing  
2 impacts under subsection (a), the Bureau of Consumer Fi-  
3 nancial Protection shall also consider impacts on—

4 (1) the privacy, security, and confidentiality of  
5 the financial, medical, and personally identifiable in-  
6 formation of consumers;

7 (2) the control of consumers over how such in-  
8 formation may or will be used or considered;

9 (3) the understanding of consumers of how  
10 such information may be used or considered and the  
11 ease with which a consumer may decide to restrict  
12 or prohibit such use or consideration of such infor-  
13 mation;

14 (4) potential discriminatory effects; and

15 (5) disparate outcomes the use or consideration  
16 of such information may cause.

17 (c) REPORT.—Not later than 1 year after the date  
18 of the enactment of this Act, the Bureau of Consumer Fi-  
19 nancial Protection shall issue a report to the Committee  
20 on Financial Services of the House of Representatives and  
21 the Committee on Banking, Housing, and Urban Affairs  
22 of the Senate containing all findings and determinations,  
23 including any recommendations for any legislative or regu-  
24 latory changes, made in carrying out the study required  
25 under subsection (a).

1 (d) DEFINITIONS.—In this section:

2 (1) ALTERNATIVE MODELING TECHNIQUES.—

3 The term “alternative modeling techniques” means  
4 statistical and mathematical techniques that are not  
5 traditional modeling techniques, including decision  
6 trees, random forests, artificial neural networks,  
7 nearest neighbor, genetic programming, and boost-  
8 ing algorithms.

9 (2) CONSUMER REPORT.—The term “consumer  
10 report” has the meaning given such term in section  
11 603 of the Fair Credit Reporting Act (15 U.S.C.  
12 1681a).

13 (3) NON-TRADITIONAL DATA.—The term “non-  
14 traditional data” means data related to tele-  
15 communications, utility payments, rent payments,  
16 remittances, wire transfers, data not otherwise regu-  
17 larly included in consumer reports issued by con-  
18 sumer reporting agencies described under section  
19 603(p), and such other items as the Bureau of Con-  
20 sumer Financial Protection deems appropriate.

21 (4) TRADITIONAL MODELING TECHNIQUES.—

22 The term “traditional modeling techniques” means  
23 statistical and mathematical techniques (including  
24 models, algorithms, linear and logistic regression

- 1 methods, and their outputs) that are traditionally
- 2 used in automated underwriting processes.

