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(Original Signature of Member)

114TH CONGRESS  
1ST SESSION

**H. R.**

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

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

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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”.

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

2 (a) USE OF CREDIT SCORES BY FANNIE MAE IN  
3 PURCHASING RESIDENTIAL MORTGAGES.—Subsection (b)  
4 of section 302 of the Federal National Mortgage Associa-  
5 tion Charter Act (12 U.S.C. 1717(b)) is amended by add-  
6 ing at the end the following new paragraph:

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

11 (i) the credit score is derived from any credit  
12 scoring model that has been validated and approved  
13 by the corporation under this paragraph;

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

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

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 that, which process shall comply with  
23 any standards and criteria established by the Direc-  
24 tor of the Federal Housing Finance Agency pursu-  
25 ant to section 1328 of the Federal Housing Enter-

1       prises Financial Safety and Soundness Act of 1992;  
2       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 (12 U.S.C.  
16 4541 et seq.) is amended by adding at the end the fol-  
17 lowing new section:

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

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