

Union Calendar No. 547

116TH CONGRESS
2D SESSION

H. R. 123

[Report No. 116–663]

To authorize a pilot program under section 258 of the National Housing Act to establish an automated process for providing additional credit rating information for mortgagors and prospective mortgagors under certain mortgages.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 2019

Mr. GREEN of Texas introduced the following bill; which was referred to the Committee on Financial Services

DECEMBER 17, 2020

Additional sponsors: Mr. SHERMAN and Mr. CLEAVER

DECEMBER 17, 2020

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on January 3, 2019]

A BILL

To authorize a pilot program under section 258 of the National Housing Act to establish an automated process for providing additional credit rating information for mortgagors and prospective mortgagors under certain mortgages.

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 “Alternative Data for*
 5 *Additional Credit FHA Pilot Program Reauthorization*
 6 *Act”.*

7 **SEC. 2. PILOT PROGRAM FOR BORROWERS WITHOUT SUFFI-**
 8 **CIENT CREDIT HISTORY.**

9 *Section 258 of the National Housing Act (12 U.S.C.*
 10 *1715z–24) is amended—*

11 *(1) in subsection (a)—*

12 *(A) by striking “carry out” and inserting*
 13 *“establish and carry out”;*

14 *(B) by striking “establish, and”;*

15 *(C) by inserting “who elect to participate in*
 16 *the pilot program” before the second comma;*

17 *(D) by striking “mortgagors and”;*

18 *(E) by inserting after “their creditworthi-*
 19 *ness” the following: “and have opted into the use*
 20 *of additional credit information”; and*

21 *(F) by striking “alternative” each place*
 22 *such term appears and inserting “additional”;*

23 *(2) in subsection (b), by adding after the period*
 24 *at the end the following: “The pilot program may not*
 25 *be carried out with respect to any mortgagor or pro-*

1 *spective mortgagor under a mortgage the proceeds of*
2 *which are used to prepay or pay off an existing loan*
3 *secured by the same property.”;*

4 *(3) by striking subsection (c);*

5 *(4) by redesignating subsections (b) (as amended*
6 *by paragraph (2) of this subsection) and (d) as sub-*
7 *sections (c) and (k), respectively;*

8 *(5) by inserting after subsection (a) the following*
9 *new subsection:*

10 *“(b) GOAL.—The goal of the pilot program under this*
11 *section shall be to examine and evaluate the benefits of*
12 *using such a credit scoring model that uses additional*
13 *data.”;*

14 *(6) by inserting after subsection (c) (as so redes-*
15 *ignated by paragraph (4) of this subsection) the fol-*
16 *lowing:*

17 *“(d) ADDITIONAL CREDIT INFORMATION.—The Sec-*
18 *retary shall, after consultation with the Government Na-*
19 *tional Mortgage Association and not later than one year*
20 *after the date of the enactment of this subsection, select one*
21 *or more commercially available credit scoring models that*
22 *will be available under the pilot and that utilize additional*
23 *data, as the Secretary considers appropriate based on the*
24 *goals of the pilot program. In selecting the model or models*
25 *to use, the Secretary shall consider the criteria under part*

1 1254 of the regulations of the Director of the Federal Hous-
2 ing Finance Agency (12 C.F.R. Part 1254) to the extent
3 appropriate.

4 “(e) NOTIFICATION.—

5 “(1) NOTICE OF OPTIONS.—The Secretary shall
6 develop a notice for prospective mortgagors, and re-
7 quire mortgagees to provide such notice to prospective
8 mortgagors, that informs prospective mortgagors of—

9 “(A) the ability to opt into the use of the
10 credit scoring model selected for use under the
11 pilot program;

12 “(B) information on how the pilot program
13 credit scoring model differs from the FHA’s cur-
14 rent credit scoring models, including the types of
15 additional data that are included in the pilot
16 program model; and

17 “(C) housing counseling agencies in the
18 area that are approved by the Department of
19 Housing and Urban Development.

20 “(2) COMPARISON OF LENDING OPTIONS.—The
21 Secretary shall require mortgagees participating in
22 the pilot program to provide information to prospec-
23 tive mortgagors sufficient to allow comparison of the
24 mortgagor’s lending options using the credit scoring
25 model under the pilot program and using the credit

1 *scoring model then in effect for mortgagors not opting*
 2 *into the use of the credit scoring model under the pilot*
 3 *program.*

4 “(f) *UNDERWRITING OPTIONS.*—*This section may not*
 5 *be construed to preclude a prospective mortgagor who opts*
 6 *to use an approved credit scoring model under the pilot pro-*
 7 *gram under this subsection in connection with under-*
 8 *writing for a mortgage insured under this title from there-*
 9 *after obtaining a determination of creditworthiness in-*
 10 *volved in underwriting for such mortgage using informa-*
 11 *tion other than that provided under such approved credit*
 12 *scoring model.*

13 “(g) *PROTECTION OF PROPRIETARY INFORMATION.*—
 14 *This section may not be construed to require the disclosure*
 15 *or sharing of any proprietary information.*

16 “(h) *REPORTING.*—

17 “(1) *IN GENERAL.*—*The Secretary shall submit*
 18 *reports to the Congress in accordance with paragraph*
 19 *(2) that provide a detailed evaluation of the effective-*
 20 *ness of the pilot, including data that shows—*

21 “(A) *the number of mortgagors who had the*
 22 *option to opt into using additional credit infor-*
 23 *mation and the number of mortgagors who opted*
 24 *into using additional credit information;*

1 “(B) the total number and percent of mort-
2 gagors who opted into the pilot and were subse-
3 quently approved for a mortgage;

4 “(C) demographic information about mort-
5 gagors who opt into using additional credit in-
6 formation, compared to demographic informa-
7 tion about mortgagors generally, which shall in-
8 clude race, ethnicity, marital status, sex or gen-
9 der, geographic location regarding mortgaged
10 properties, and any other information the Sec-
11 retary deems appropriate;

12 “(D) whether or not mortgagors with no or
13 thin credit files benefitted from having this op-
14 tion and how;

15 “(E) whether or not other borrowers who
16 did not have thin or no credit files benefitted
17 from this option and how;

18 “(F) the effectiveness of the additional credit
19 information in predicting mortgage loan default;

20 “(G) the rate of participation of mortgagees
21 in the pilot program;

22 “(H) whether or not the pilot program had
23 an impact on the Mutual Mortgage Insurance
24 Fund, in general, and specifically whether it had

1 *an impact on the economic net worth ratio of the*
2 *Fund;*

3 “(I) *whether or not there was sufficient in-*
4 *come from the pilot program to offset the risk*
5 *posed to such Fund by the pilot program;*

6 “(J) *whether the pilot program had an im-*
7 *pact on the ability of other borrowers not par-*
8 *ticipating in the program to obtain the products*
9 *and services of the FHA; and*

10 “(K) *any other information the Secretary*
11 *determines relevant.*

12 “(2) *SUBMISSION.—The Secretary shall submit a*
13 *report described in paragraph (1)—*

14 “(A) *not later than 6 months after the con-*
15 *clusion of the 2-year period beginning on the*
16 *date on which the Secretary begins accepting the*
17 *additional credit scores through the pilot pro-*
18 *gram established by the Secretary pursuant to*
19 *this section; and*

20 “(B) *not later than 1 year after the conclu-*
21 *sion of the 5-year period beginning on the date*
22 *of the enactment of the Alternative Data for Ad-*
23 *ditional Credit FHA Pilot Program Reauthor-*
24 *ization Act.*

1 “(3) *REPORT ON SELECTION OF ADDITIONAL*
2 *CREDIT MODEL.*—Not later than the conclusion of the
3 6-month period that begins upon the conclusion of the
4 one-year period under subsection (d), the Secretary
5 shall submit to the Congress a report explaining why
6 the additional credit scoring model or models selected
7 pursuant to subsection (d) were selected in lieu of
8 other commercially available credit scoring models.

9 “(4) *PUBLIC AVAILABILITY OF INFORMATION.*—
10 *The Secretary shall make publicly available in an*
11 *easily accessible location on the website of the Depart-*
12 *ment—*

13 “(A) *each report submitted to the Congress*
14 *pursuant to this subsection; and*

15 “(B) *information about the pilot program,*
16 *which shall include an up-to-date listing of*
17 *mortgagees participating in the pilot program.*

18 “(i) *AUTHORITY TO LIMIT PARTICIPATION.*—*The Sec-*
19 *retary may establish a limitation to cap participation in*
20 *the pilot program under this section.*

21 “(j) *AUTHORIZATION OF APPROPRIATIONS.*—*There is*
22 *authorized to be appropriated—*

23 “(1) *\$3,000,000 for fiscal year 2020 for estab-*
24 *lishing and carrying out the pilot program under this*
25 *section; and*

1 “(2) \$1,500,000 for each of fiscal years 2021
2 through 2024 for carrying out the pilot program
3 under this section.”; and

4 (7) in subsection (k), as so redesignated by para-
5 graph (4), by striking “5-year period beginning on
6 the date of the enactment of the Building American
7 Homeownership Act of 2008” and inserting “5-year
8 period beginning on the date of the enactment of the
9 Alternative Data for Additional Credit FHA Pilot
10 Program Reauthorization Act”.

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