

117TH CONGRESS  
1ST SESSION

# H. R. 123

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 2021

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

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## 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”.

1 **SEC. 2. PILOT PROGRAM FOR BORROWERS WITHOUT SUFFICIENT CREDIT HISTORY.**  
2

3 Section 258 of the National Housing Act (12 U.S.C.  
4 1715z-24) is amended—

5 (1) in subsection (a)—

6 (A) by striking “carry out” and inserting  
7 “establish and carry out”;

8 (B) by striking “establish, and”;

9 (C) by inserting “who elect to participate  
10 in the pilot program” before the second comma;

11 (D) by striking “mortgagors and”;

12 (E) by inserting after “their creditworthi-  
13 ness” the following: “and have opted into the  
14 use of additional credit information”; and

15 (F) by striking “alternative” each place  
16 such term appears and inserting “additional”;

17 (2) in subsection (b), by adding after the period  
18 at the end the following: “The pilot program may  
19 not be carried out with respect to any mortgagor or  
20 prospective mortgagor under a mortgage the pro-  
21 ceeds of which are used to prepay or pay off an ex-  
22 isting loan secured by the same property.”;

23 (3) by striking subsection (c);

24 (4) by redesignating subsections (b) (as amend-  
25 ed by paragraph (2) of this subsection) and (d) as  
26 subsections (c) and (k), respectively;

1           (5) by inserting after subsection (a) the fol-  
2           lowing new subsection:

3           “(b) GOAL.—The goal of the pilot program under  
4 this section shall be to examine and evaluate the benefits  
5 of using such a credit scoring model that uses additional  
6 data.”;

7           (6) by inserting after subsection (c) (as so re-  
8           designated by paragraph (4) of this subsection) the  
9           following:

10          “(d) ADDITIONAL CREDIT INFORMATION.—The Sec-  
11 retary shall, after consultation with the Government Na-  
12 tional Mortgage Association and not later than one year  
13 after the date of the enactment of this subsection, select  
14 one or more commercially available credit scoring models  
15 that will be available under the pilot and that utilize addi-  
16 tional data, as the Secretary considers appropriate based  
17 on the goals of the pilot program. In selecting the model  
18 or models to use, the Secretary shall consider the criteria  
19 under part 1254 of the regulations of the Director of the  
20 Federal Housing Finance Agency (12 C.F.R. Part 1254)  
21 to the extent appropriate.

22          “(e) NOTIFICATION.—

23                 “(1) NOTICE OF OPTIONS.—The Secretary shall  
24                 develop a notice for prospective mortgagors, and re-  
25                 quire mortgagees to provide such notice to prospec-

1       tive mortgagors, that informs prospective mortga-  
2       gors of—

3               “(A) the ability to opt into the use of the  
4               credit scoring model selected for use under the  
5               pilot program;

6               “(B) information on how the pilot program  
7               credit scoring model differs from the FHA’s  
8               current credit scoring models, including the  
9               types of additional data that are included in the  
10              pilot program model; and

11              “(C) housing counseling agencies in the  
12              area that are approved by the Department of  
13              Housing and Urban Development.

14              “(2) COMPARISON OF LENDING OPTIONS.—The  
15              Secretary shall require mortgagees participating in  
16              the pilot program to provide information to prospec-  
17              tive mortgagors sufficient to allow comparison of the  
18              mortgagor’s lending options using the credit scoring  
19              model under the pilot program and using the credit  
20              scoring model then in effect for mortgagors not opt-  
21              ing into the use of the credit scoring model under  
22              the pilot program.

23              “(f) UNDERWRITING OPTIONS.—This section may  
24              not be construed to preclude a prospective mortgagor who  
25              opts to use an approved credit scoring model under the

1 pilot program under this subsection in connection with un-  
2 derwriting for a mortgage insured under this title from  
3 thereafter obtaining a determination of creditworthiness  
4 involved in underwriting for such mortgage using informa-  
5 tion other than that provided under such approved credit  
6 scoring model.

7 “(g) PROTECTION OF PROPRIETARY INFORMA-  
8 TION.—This section may not be construed to require the  
9 disclosure or sharing of any proprietary information.

10 “(h) REPORTING.—

11 “(1) IN GENERAL.—The Secretary shall submit  
12 reports to the Congress in accordance with para-  
13 graph (2) that provide a detailed evaluation of the  
14 effectiveness of the pilot, including data that  
15 shows—

16 “(A) the number of mortgagors who had  
17 the option to opt into using additional credit in-  
18 formation and the number of mortgagors who  
19 opted into using additional credit information;

20 “(B) the total number and percent of  
21 mortgagors who opted into the pilot and were  
22 subsequently approved for a mortgage;

23 “(C) demographic information about mort-  
24 gators who opt into using additional credit in-  
25 formation, compared to demographic informa-

1           tion about mortgagors generally, which shall in-  
2           clude race, ethnicity, marital status, sex or gen-  
3           der, geographic location regarding mortgaged  
4           properties, and any other information the Sec-  
5           retary deems appropriate;

6           “(D) whether or not mortgagors with no or  
7           thin credit files benefitted from having this op-  
8           tion and how;

9           “(E) whether or not other borrowers who  
10          did not have thin or no credit files benefitted  
11          from this option and how;

12          “(F) the effectiveness of the additional  
13          credit information in predicting mortgage loan  
14          default;

15          “(G) the rate of participation of mortga-  
16          gees in the pilot program;

17          “(H) whether or not the pilot program had  
18          an impact on the Mutual Mortgage Insurance  
19          Fund, in general, and specifically whether it  
20          had an impact on the economic net worth ratio  
21          of the Fund;

22          “(I) whether or not there was sufficient in-  
23          come from the pilot program to offset the risk  
24          posed to such Fund by the pilot program;

1           “(J) whether the pilot program had an im-  
2           pact on the ability of other borrowers not par-  
3           ticipating in the program to obtain the products  
4           and services of the FHA; and

5           “(K) any other information the Secretary  
6           determines relevant.

7           “(2) SUBMISSION.—The Secretary shall submit  
8           a report described in paragraph (1)—

9           “(A) not later than 6 months after the  
10          conclusion of the 2-year period beginning on the  
11          date on which the Secretary begins accepting  
12          the additional credit scores through the pilot  
13          program established by the Secretary pursuant  
14          to this section; and

15          “(B) not later than 1 year after the con-  
16          clusion of the 5-year period beginning on the  
17          date of the enactment of the Alternative Data  
18          for Additional Credit FHA Pilot Program Re-  
19          authorization Act.

20          “(3) REPORT ON SELECTION OF ADDITIONAL  
21          CREDIT MODEL.—Not later than the conclusion of  
22          the 6-month period that begins upon the conclusion  
23          of the 1-year period under subsection (d), the Sec-  
24          retary shall submit to the Congress a report explain-  
25          ing why the additional credit scoring model or mod-

1       els selected pursuant to subsection (d) were selected  
2       in lieu of other commercially available credit scoring  
3       models.

4               “(4) PUBLIC AVAILABILITY OF INFORMATION.—  
5       The Secretary shall make publicly available in an  
6       easily accessible location on the website of the De-  
7       partment—

8                       “(A) each report submitted to the Con-  
9                       gress pursuant to this subsection; and

10                      “(B) information about the pilot program,  
11                      which shall include an up-to-date listing of  
12                      mortgagees participating in the pilot program.

13       “(i) AUTHORITY TO LIMIT PARTICIPATION.—The  
14       Secretary may establish a limitation to cap participation  
15       in the pilot program under this section.

16       “(j) AUTHORIZATION OF APPROPRIATIONS.—There  
17       is authorized to be appropriated—

18                      “(1) \$3,000,000 for fiscal year 2020 for estab-  
19                      lishing and carrying out the pilot program under  
20                      this section; and

21                      “(2) \$1,500,000 for each of fiscal years 2021  
22                      through 2024 for carrying out the pilot program  
23                      under this section.”; and

24                      (7) in subsection (k), as so redesignated by  
25                      paragraph (4), by striking “5-year period beginning

1 on the date of the enactment of the Building Amer-  
2 ican Homeownership Act of 2008” and inserting “5-  
3 year period beginning on the date of the enactment  
4 of the Alternative Data for Additional Credit FHA  
5 Pilot Program Reauthorization Act”.

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