

Union Calendar No. 248

116TH CONGRESS
1ST SESSION

H. R. 3629

[Report No. 116–307]

To amend the Fair Credit Reporting Act to establish clear Federal oversight of the development of credit scoring models by the Bureau of Consumer Financial Protection, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 9, 2019

Mr. LYNCH introduced the following bill; which was referred to the Committee on Financial Services

NOVEMBER 21, 2019

Additional sponsor: Mr. CLEAVER

NOVEMBER 21, 2019

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 *italie*]

[For text of introduced bill, see copy of bill as introduced on July 9, 2019]

A BILL

To amend the Fair Credit Reporting Act to establish clear Federal oversight of the development of credit scoring models by the Bureau of Consumer Financial Protection, 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 “Clarity in Credit Score*
5 *Formation Act of 2019”.*

6 **SEC. 2. FINDINGS.**

7 *Congress finds the following:*

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

15 *(2) The Bureau of Consumer Financial Protec-*
16 *tion found that one of the most common barriers for*
17 *people in reviewing their own credit reports and*
18 *shopping for the best credit terms was a lack of un-*
19 *derstanding of the differences between “soft” and*
20 *“hard” inquiries and whether requesting a copy of*
21 *their own report would adversely impact their credit*
22 *standing.*

23 *(3) The Bureau of Consumer Financial Protec-*
24 *tion revealed that consumers with accurate percep-*

1 *tions of their creditworthiness may be better equipped*
 2 *to shop for favorable credit terms.*

3 **SEC. 3. CONSUMER BUREAU OVERSIGHT OF CREDIT SCOR-**
 4 **ING MODELS.**

5 *The Fair Credit Reporting Act (15 U.S.C. 1681 et seq.)*
 6 *is amended—*

7 *(1) by adding at the end the following new sec-*
 8 *tion:*

9 **“§ 630. Credit scoring models**

10 *“(a) VALIDATED CREDIT SCORING MODELS.—Not*
 11 *later than 1 year after the date of the enactment of this*
 12 *section, the Bureau shall (in consultation with the Board*
 13 *of Governors of the Federal Reserve System, the Comptroller*
 14 *of the Currency, the Board of Directors of the Federal De-*
 15 *posit Insurance Corporation, and the National Credit*
 16 *Union Administration Board) issue final regulations appli-*
 17 *cable to any person that creates, maintains, utilizes, or pur-*
 18 *chases credit scoring models used in making credit decisions*
 19 *to establish standards for validating the accuracy and pre-*
 20 *dictive value of all such credit scoring models, both before*
 21 *release for initial use and at regular intervals thereafter,*
 22 *for as long as such credit scoring models are made available*
 23 *for purchase 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 the*
 2 *weight or consideration given to certain factors by credit*
 3 *scoring models, is inappropriate, including if such factors*
 4 *do not enhance or contribute to the accuracy and predictive*
 5 *value of the models. Upon the conclusion of its review, the*
 6 *Bureau may prohibit a person described in subsection (a)*
 7 *from weighing, considering, or including certain factors in,*
 8 *or making available for purchase or use, certain credit scor-*
 9 *ing models or versions, as the Bureau determines appro-*
 10 *priate.”; and*

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

“630. Credit scoring models.”.

13 **SEC. 4. CONSUMER BUREAU STUDY AND REPORT TO CON-**
 14 **GRESS ON THE IMPACT OF NON-TRADITIONAL**
 15 **DATA.**

16 *(a) STUDY.—The Bureau of Consumer Financial Pro-*
 17 *tection shall carry out a study to assess the impact (includ-*
 18 *ing the availability and affordability of credit and other*
 19 *noncredit decisions, the potential positive and negative im-*
 20 *pacts on consumer credit scores, and any unintended con-*
 21 *sequences) of using traditional modeling techniques or alter-*
 22 *native modeling techniques to analyze non-traditional data*
 23 *from a consumer report and of including non-traditional*
 24 *data on consumer reports on the following:*

1 (1) *Consumers with no or minimal traditional*
2 *credit history.*

3 (2) *Traditionally underserved communities and*
4 *populations.*

5 (3) *Consumers residing in rural areas.*

6 (4) *Consumers residing in urban areas.*

7 (5) *Racial and ethnic minorities and women.*

8 (6) *Consumers across various income strata, par-*
9 *ticularly consumers earning less than 120 percent of*
10 *the area median income (as defined by the Secretary*
11 *of Housing and Urban Development).*

12 (7) *Immigrants, refugees, and non-permanent*
13 *residents.*

14 (8) *Minority financial institutions (as defined*
15 *under section 308(b) of the Financial Institutions Re-*
16 *form, Recovery, and Enforcement Act of 1989 (12*
17 *U.S.C. 1463 note)) and community financial institu-*
18 *tions.*

19 (9) *Consumers residing in federally assisted*
20 *housing, including consumers receiving Federal rental*
21 *subsidies.*

22 (b) *ADDITIONAL CONSIDERATIONS.—In assessing im-*
23 *pacts under subsection (a), the Bureau of Consumer Finan-*
24 *cial Protection shall also consider impacts on—*

1 (1) *the privacy, security, and confidentiality of*
 2 *the financial, medical, and personally identifiable in-*
 3 *formation of consumers;*

4 (2) *the control of consumers over how such infor-*
 5 *mation may or will be used or considered;*

6 (3) *the understanding of consumers of how such*
 7 *information may be used or considered and the ease*
 8 *with which a consumer may decide to restrict or pro-*
 9 *hibit such use or consideration of such information;*

10 (4) *potential discriminatory effects; and*

11 (5) *disparate outcomes the use or consideration*
 12 *of such information may cause.*

13 (c) *CONSIDERATION OF RECENT GOVERNMENT STUD-*
 14 *IES.—In assessing impacts under subsection (a), the Bu-*
 15 *reau of Consumer Financial Protection shall also consider*
 16 *recent Government studies on alternative data, including—*

17 (1) *the report of the Bureau of Consumer Finan-*
 18 *cial Protection titled “CFPB Data Point: Becoming*
 19 *Credit Visible” (published June 2017); and*

20 (2) *the report of the Comptroller General of the*
 21 *United States titled “Financial Technology: Agencies*
 22 *Should Provide Clarification on Lenders’ Use of Al-*
 23 *ternative Data” (published December 2018).*

24 (d) *REPORT.—Not later than 1 year after the date of*
 25 *the enactment of this Act, the Bureau of Consumer Finan-*

1 *cial Protection shall issue a report to the Committee on Fi-*
 2 *nancial Services of the House of Representatives and the*
 3 *Committee on Banking, Housing, and Urban Affairs of the*
 4 *Senate containing all findings and determinations, includ-*
 5 *ing any recommendations for any legislative or regulatory*
 6 *changes, made in carrying out the study required under*
 7 *subsection (a).*

8 *(e) DEFINITIONS.—In this section:*

9 *(1) ALTERNATIVE MODELING TECHNIQUES.—The*
 10 *term “alternative modeling techniques” means statis-*
 11 *tical and mathematical techniques that are not tradi-*
 12 *tional modeling techniques, including decision trees,*
 13 *random forests, artificial neural networks, nearest*
 14 *neighbor, genetic programming, and boosting algo-*
 15 *rithms.*

16 *(2) CONSUMER REPORT.—The term “consumer*
 17 *report” has the meaning given such term in section*
 18 *603 of the Fair Credit Reporting Act (15 U.S.C.*
 19 *1681a).*

20 *(3) NON-TRADITIONAL DATA.—The term “non-*
 21 *traditional data” means data related to telecommuni-*
 22 *cations, utility payments, rent payments, remittances,*
 23 *wire transfers, data not otherwise regularly included*
 24 *in consumer reports issued by consumer reporting*
 25 *agencies described under section 603(p), and such*

1 *other items as the Bureau of Consumer Financial*
2 *Protection deems appropriate.*

3 (4) *TRADITIONAL MODELING TECHNIQUES.—The*
4 *term “traditional modeling techniques” means statis-*
5 *tical and mathematical techniques (including models,*
6 *algorithms, linear and logistic regression methods,*
7 *and their outputs) that are traditionally used in*
8 *automated underwriting processes.*

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