To require the Secretary of Veterans Affairs to carry out a pilot program on using alternative credit scoring information for veterans and members of the Armed Forces, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. Levin of California introduced the following bill; which was referred to the Committee on

A BILL

To require the Secretary of Veterans Affairs to carry out a pilot program on using alternative credit scoring information for veterans and members of the Armed Forces, and for other purposes.

1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

2 SECTION 1. SHORT TITLE.

3 This Act may be cited as the “Building Credit Access for Veterans Act of 2022”.

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SEC. 2. DEPARTMENT OF VETERANS AFFAIRS PILOT PROGRAM ON USE OF ALTERNATIVE CREDIT SCORING INFORMATION OR CREDIT SCORING MODELS.

(a) Pilot Program Required.—

(1) In general.—Not later than one year after the date of the enactment of this Act, the Secretary of Veterans Affairs shall commence carrying out a pilot program that will assess the feasibility and advisability of—

(A) using alternative credit scoring information or credit scoring models using alternative credit scoring methodology for an individual described in paragraph (2)—

(i) to improve the determination of creditworthiness of such an individual; and

(ii) to increase the number of such individuals who are able to obtain a loan guaranteed or insured under chapter 37 of title 38, United States Code; and

(B) in consultation with such entities as the Secretary considers appropriate, establishing criteria for acceptable commercially available credit scoring models to be used by lenders for the purpose of guaranteeing or insuring loans for such individuals.
suring a loan under chapter 37 of title 38, United State Code.

(2) INDIVIDUAL DESCRIBED.—An individual described in this paragraph is a veteran or a member of the Armed Forces who—

(A) is eligible for a loan under chapter 37 of title 38, United States Code; and

(B) has an insufficient credit history for a lender or the Secretary to determine the credit-worthiness of the individual.

(3) ALTERNATIVE CREDIT SCORING INFORMATION.—Alternative credit scoring information described in paragraph (1)(A) may include proof of rent, utility, and insurance payment histories, and such other information as the Secretary considers appropriate.

(b) VOLUNTARY PARTICIPATION.—

(1) IN GENERAL.—The Secretary shall ensure that any participation in the pilot program is voluntary on an opt-in basis for a lender, a borrower, and an individual described in subsection (a)(2).

(2) NOTICE OF PARTICIPATION.—Subject to paragraph (3), any lender who participates in the pilot program shall—
(A) notify each individual described in subsection (a)(2) who, during the pilot program, applies for a loan under chapter 37 of title 38, United States Code, from such lender, of the lender’s participation in the pilot program; and

(B) offer such individual the opportunity to participate in the pilot program.

(3) LIMITATION.—

(A) IN GENERAL.—The Secretary may establish a limitation on the number of individuals and lenders that may participate in the pilot program.

(B) REPORT.—If the Secretary limits participation in the pilot program under subparagraph (A), the Secretary shall, not later than 15 days after establishing such limitation, submit to Congress a report setting forth the reasons for establishing such limitation.

(c) APPROVAL OF CREDIT SCORING MODELS.—

(1) IN GENERAL.—A lender participating in the pilot program may not use a credit scoring model under subsection (a)(1)(A) until the Secretary has reviewed and approved such credit scoring model for purposes of the pilot program.
(2) Publication of criteria.—The Secretary shall publish in the Federal Register any criteria established under subsection (a)(1)(B) for acceptable commercially available credit scoring models that use alternative credit scoring information described in subsection (a)(1)(A) to be used for purposes of the pilot program.

(3) Considerations; approval of certain models.—In selecting credit scoring models to approve under this section, the Secretary shall—

(A) consider the criteria for credit score assessments under section 1254.7 of title 12, Code of Federal Regulations; and

(B) approve any commercially available credit scoring model that has been approved pursuant to section 302(b)(7) of the Federal National Mortgage Association Charter Act (12 U.S.C. 1717(b)(7)) or section 305(d) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1454(d)).

(d) Outreach.—To the extent practicable, the Secretary shall conduct outreach to lenders and individuals described in subsection (a)(2) to inform such persons of the pilot program.

(e) Report.—
(1) IN GENERAL.—Not later than two years after the date of the enactment of this Act, the Secretary shall submit to Congress a report on the pilot program.

(2) CONTENTS.—The report submitted under paragraph (1) shall include the following:

(A) The findings of the Secretary with respect to the feasibility and advisability of using alternative credit scoring information or credit scoring models using alternative credit scoring methodology for individuals described in subsection (a)(2).

(B) A description of the efforts of the Secretary to assess the feasibility and advisability of using alternative credit scoring information or credit scoring models as described in subparagraph (A).

(C) To the extent practicable, the following:

(i) The rate of participation in the pilot program.

(ii) An assessment of whether participants in the pilot program benefitted from such participation.
(D) An assessment of the effect of the pilot program on the subsidy rate for loans guaranteed or insured by the Secretary under chapter 37 of title 38, United States Code.

(E) Such other information as the Secretary considers appropriate.

(f) TERMINATION.—

(1) IN GENERAL.—The Secretary shall complete the pilot program required by subsection (a)(1) not later than September 30, 2025.

(2) EFFECT ON LOANS AND APPLICATIONS.—The termination of the pilot program under paragraph (1) shall not affect a loan guaranteed, or for which loan applications have been received by a participating lender, on or before the date of the completion of the pilot program.

(g) INSUFFICIENT CREDIT HISTORY DEFINED.—In this section, the term “insufficient credit history”, with respect to an individual described in subsection (a)(2), means that the individual does not have a credit record with one of the national credit reporting agencies or such credit record contains insufficient credit information to assess creditworthiness.