MORTGAGE BANKERS ASSOCIATION

July 11, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
2221 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the Mortgage Bankers Association (MBA), I am writing to express our views on a number of bills that will be considered and marked up by the Committee on Financial Services on July 11, 2019, and on subsequent days as necessary.

Proposal to Expand Access to Appraisals

MBA strongly supports the *Homebuyer Assistance Act of 2019*, H.R. 2852, introduced by Representatives Brad Sherman (D-CA) and Sean Duffy (R-WI). As lenders serving homeowners in rural areas throughout the country struggle to obtain appraisals in a timely manner, this legislation would allow more appraisers practicing in the field today to become eligible to conduct real estate evaluations on properties subject to mortgages insured by the Federal Housing Administration (FHA).

In July 2008, the Housing and Economic Recovery Act (P.L. 110-289) was signed into law and prohibited state-licensed residential appraisers from continuing to participate in FHA-insured transactions by limiting evaluations to only certified appraisers. While the statutory change was designed to protect FHA during a time of significant economic stress, it had a negative effect on residential markets over the longer term, especially in difficult-to-access rural areas.

In the current market, the lengthy processing times and high costs due to a lack of appraisers reduce the efficiency of the loan origination process for FHA-insured loans. Rising appraisal costs in recent years have largely been attributed to appraiser shortages in certain locations, especially rural areas. This legislation would allow lenders to address supply shortages by expanding their appraiser pools, which in turn will reduce consumer costs and shorten delays that have occurred in many markets. More broadly, the *Homebuyer Assistance Act of 2019* could create a more efficient residential mortgage market for lenders and consumers by expediting valuations and lowering closing costs.

Proposals to Amend the Fair Credit Reporting Act

MBA has long recognized the value of innovation in credit scoring models. For this reason, we have consistently supported efforts to incorporate new data and modeling techniques into existing models, provided those developments increase the predictive capacity of the models.

The *Clarity in Credit Score Formation Act of 2019*, introduced by Rep. Stephen Lynch (D-MA), gives authority to the Consumer Financial Protection Bureau (CFPB) to oversee the development of credit scoring models, study and analyze the impact of new data and modeling techniques on communities historically underserved by the credit markets, and prohibit credit scoring model developers from including certain inputs.

MBA has serious concerns with many provisions within this proposal, including the use of potentially overbroad terms, such as “credit scoring model” and “inappropriate” factors, that could undermine the predictive value of credit underwriting practices and models. At a high level, the role of federal regulators with respect to credit scoring models should be to ensure such models exceed a minimum threshold of predictive capacity, while also remaining in compliance with fair lending requirements. If the CFPB or any other regulator was able to regularly change the weighting of various model inputs, or remove certain inputs altogether, the predictive capacity of the models could be seriously jeopardized. Such actions would then result in less sustainable mortgage lending, which would harm the very consumers that policymakers and market participants are attempting to better serve.

More specifically, we would caution that amendments to the Fair Credit Reporting Act (FCRA) not require “downstream” users of credit scores, such as mortgage originators, mortgage servicers, and mortgage insurers, to be subject to new requirements on the validity of these models. Further, any new requirements contemplated by Congress should be within the purview of prudential regulators, *in consultation with* CFPB and other regualtors, and harmonized with existing requirements already enforced by these regulators. Finally, as noted above, the CFPB or other regulators should not be granted authority to deem certain model inputs as “inappropriate” for reasons other than those already provided under fair lending laws.

Additionally, the *Improving Credit Reporting for All Consumers Act*, introduced by Rep. Alma Adams (D-NC), includes a provision that has the potential to increase uncertainty for lenders and consumers alike by providing injunctive relief under FCRA. This proposal could create a new patchwork quilt of FCRA interpretations, as opposed to a national standard administered by the Federal Trade Commission and the CFPB. The likely result would be greater confusion for consumers seeking relief, increased legal liability and uncertainty for mortgage lenders and, ultimately, increased cost of credit for consumers. Therefore, MBA opposes this portion of the proposal and recommends that the Committee fully contemplate the potential consequences of this provision before advancing the legislation.

Broadly, MBA welcomes efforts to promote accuracy, predictiveness, and innovation in the credit scoring market. Given the importance of our nationwide system of consumer data flow to the mortgage lending process, MBA must also advocate for consistency and certainty in FCRA enforcement and supervision.

Conclusion

Thank you as always for the consideration of the views expressed within this letter. We look forward to our continued work together to promote a more competitive and sustainable real estate finance market in the United States.

Sincerely,

Bill Killmer
Senior Vice President
Legislative and Political Affairs

cc: All Members, Committee on Financial Services