

117TH CONGRESS  
1ST SESSION

# S. 1838

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.

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## IN THE SENATE OF THE UNITED STATES

MAY 26, 2021

Mr. SCOTT of South Carolina (for himself and Mr. BLUMENTHAL) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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## 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 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 “Building Credit Access  
5       for Veterans Act of 2021”.

1 **SEC. 2. DEPARTMENT OF VETERANS AFFAIRS PILOT PRO-**  
2 **GRAM ON USE OF ALTERNATIVE CREDIT**  
3 **SCORING INFORMATION OR CREDIT SCORING**  
4 **MODELS.**

5 (a) PILOT PROGRAM REQUIRED.—

6 (1) IN GENERAL.—Not later than one year  
7 after the date of the enactment of this Act, the Sec-  
8 retary of Veterans Affairs shall commence carrying  
9 out a pilot program that will assess the feasibility  
10 and advisability of—

11 (A) using alternative credit scoring infor-  
12 mation or credit scoring models using alter-  
13 native credit scoring methodology for an indi-  
14 vidual described in paragraph (2)—

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

17 (ii) to increase the number of such in-  
18 dividuals who are able to obtain a loan  
19 guaranteed or insured under chapter 37 of  
20 title 38, United States Code; and

21 (B) in consultation with such entities as  
22 the Secretary considers appropriate, estab-  
23 lishing criteria for acceptable commercially  
24 available credit scoring models to be used by  
25 lenders for the purpose of guaranteeing or in-

1           suring a loan under chapter 37 of title 38,  
2           United State Code.

3           (2) INDIVIDUAL DESCRIBED.—An individual de-  
4           scribed in this paragraph is a veteran or a member  
5           of the Armed Forces who—

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

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

11           (3) ALTERNATIVE CREDIT SCORING INFORMA-  
12           TION.—Alternative credit scoring information de-  
13           scribed in paragraph (1)(A) may include proof of  
14           rent, utility, and insurance payment histories, and  
15           such other information as the Secretary considers  
16           appropriate.

17           (b) VOLUNTARY PARTICIPATION.—

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

22                   (2) NOTICE OF PARTICIPATION.—Subject to  
23                   paragraph (3), any lender who participates in the  
24                   pilot program shall—

1 (A) notify each individual described in sub-  
2 section (a)(2) who, during the pilot program,  
3 applies for a loan under chapter 37 of title 38,  
4 United States Code, from such lender, of the  
5 lender's participation in the pilot program; and

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

8 (3) LIMITATION.—

9 (A) IN GENERAL.—The Secretary may es-  
10 tablish a limitation on the number of individ-  
11 uals and lenders that may participate in the  
12 pilot program.

13 (B) REPORT.—If the Secretary limits par-  
14 ticipation in the pilot program under subpara-  
15 graph (A), the Secretary shall, not later than  
16 15 days after establishing such limitation, sub-  
17 mit to Congress a report setting forth the rea-  
18 sons for establishing such limitation.

19 (c) APPROVAL OF CREDIT SCORING MODELS.—

20 (1) IN GENERAL.—A lender participating in the  
21 pilot program may not use a credit scoring model  
22 under subsection (a)(1)(A) until the Secretary has  
23 reviewed and approved such credit scoring model for  
24 purposes of the pilot program.

1           (2) PUBLICATION OF CRITERIA.—The Secretary  
2 shall publish in the Federal Register any criteria es-  
3 tablished under subsection (a)(1)(B) for acceptable  
4 commercially available credit scoring models that use  
5 alternative credit scoring information described in  
6 subsection (a)(1)(A) to be used for purposes of the  
7 pilot program.

8           (3) CONSIDERATIONS; APPROVAL OF CERTAIN  
9 MODELS.—In selecting credit scoring models to ap-  
10 prove under this section, the Secretary shall—

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

14           (B) approve any commercially available  
15 credit scoring model that has been approved  
16 pursuant to section 302(b)(7) of the Federal  
17 National Mortgage Association Charter Act (12  
18 U.S.C. 1717(b)(7)) or section 305(d) of the  
19 Federal Home Loan Mortgage Corporation Act  
20 (12 U.S.C. 1454)(d)).

21           (d) OUTREACH.—To the extent practicable, the Sec-  
22 retary shall conduct outreach to lenders and individuals  
23 described in subsection (a)(2) to inform such persons of  
24 the pilot program.

25           (e) REPORT.—

1           (1) IN GENERAL.—Not later than two years  
2 after the date of the enactment of this Act, the Sec-  
3 retary shall submit to Congress a report on the pilot  
4 program.

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

7                   (A) The findings of the Secretary with re-  
8 spect to the feasibility and advisability of using  
9 alternative credit scoring information or credit  
10 scoring models using alternative credit scoring  
11 methodology for individuals described in sub-  
12 section (a)(2).

13                   (B) A description of the efforts of the Sec-  
14 retary to assess the feasibility and advisability  
15 of using alternative credit scoring information  
16 or credit scoring models as described in sub-  
17 paragraph (A).

18                   (C) To the extent practicable, the fol-  
19 lowing:

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

22                           (ii) An assessment of whether partici-  
23 pants in the pilot program benefitted from  
24 such participation.

1           (D) An assessment of the effect of the  
2 pilot program on the subsidy rate for loans  
3 guaranteed or insured by the Secretary under  
4 chapter 37 of title 38, United States Code.

5           (E) Such other information as the Sec-  
6 retary considers appropriate.

7 (f) TERMINATION.—

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

11           (2) EFFECT ON LOANS AND APPLICATIONS.—

12 The termination of the pilot program under para-  
13 graph (1) shall not affect a loan guaranteed, or for  
14 which loan applications have been received by a par-  
15 ticipating lender, on or before the date of the com-  
16 pletion of the pilot program.

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

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