



441 G St. N.W.  
Washington, DC 20548

B-331320

August 30, 2019

The Honorable Mike Crapo  
Chairman  
The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Maxine Waters  
Chairwoman  
The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
House of Representatives

*Subject: Federal Housing Finance Agency: Validation and Approval of Credit Score Models*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Federal Housing Finance Agency (FHFA) entitled “Validation and Approval of Credit Score Models” (RIN: 2590-AA98). We received the rule on August 18, 2019. It was published in the *Federal Register* as a final rule on August 16, 2019. 84 Fed. Reg. 41886. The U.S. House of Representatives received the rule on August 14, 2019. 165 Cong. Rec. H7520. The effective date of the rule is October 15, 2019.

The final rule establishes the process for validation and approval of credit score models by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The process established by this rule has four phases. The process begins with the credit score solicitation (a solicitation by Fannie Mae and Freddie Mac of applications from credit score model developers), followed by the submission and initial review of applications (an initial review by Fannie Mae and Freddie Mac of submitted applications). The third phase is a credit score assessment by Fannie Mae and Freddie Mac, and the fourth phase is an enterprise business assessment. Finally, the final rule establishes criteria for each of the four phases and includes required timing and notices for Fannie Mae and Freddie Mac decisions under the process.

Enclosed is our assessment of FHFA's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Janet Temko-Blinder, Assistant General Counsel, at (202) 512-7104.

signed

Shirley A. Jones  
Managing Associate General Counsel

Enclosure

cc: Alfred M. Pollard  
General Counsel  
Federal Housing Finance Agency

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
FEDERAL HOUSING FINANCE AGENCY  
ENTITLED  
“VALIDATION AND APPROVAL OF CREDIT SCORE MODELS”  
(RIN: 2590-AA98)

(i) Cost-benefit analysis

In its submission to us, FHFA indicated that it considered preparation of an analysis of the costs and benefits of this final rule to be not applicable.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

FHFA certified that this final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, FHFA is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551*et seq.*

On December 21, 2018, FHFA published a proposed rule. 83 Fed. Reg. 65575. FHFA received 60 comment letters from all segments of the mortgage industry, including mortgage insurers, mortgage originators, mortgage backed securities and credit risk transfer investors, technology vendors, housing advocates, industry trade groups, congressional members, and other interested stakeholders. FHFA responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

FHFA determined that this final rule does not contain any information collection requirements that would require the approval of the Office of Management and Budget under the Act.

Statutory authorization for the rule

FHFA stated that this final rule was promulgated pursuant to sections 4511, 4513, and 4526 of title 12, United States Code; and section 310 of Public Law 115-174.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, FHFA is not subject to the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, FHFA is not subject to the Order.