Congressional Budget Office
Cost Estimate

October 7, 2019

H.R. 3629, Clarity in Credit Score Formation Act of 2019

As ordered reported by the House Committee on Financial Services on July 16, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	2	5	10
Revenues	0	0	0
Deficit Effect	2	5	10
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Cannot Determine Costs

Under H.R. 3629, the Consumer Financial Protection Bureau (CFPB) would establish standards for validating the accuracy and predictive value of credit scoring models. The bill would require the CFPB to conduct a biannual review of credit scoring models and would authorize the agency to prohibit the use of certain of those models. H.R. 3629 also would require the CFPB to study and report to the Congress about the effects of using traditional versus alternative modeling techniques to analyze nontraditional consumer report data as defined in the bill. Finally the bill would require the CFPB to assess the effects of including nontraditional data in consumer reports.

Using information from the CFPB, CBO estimates that enacting H.R. 3629 would increase direct spending by $10 million over the 2020-2029 period. The cost of the legislation, detailed in Table 1, falls within budget function 370 (advancement of commerce).

Table 1.
Estimated Increases in Direct Spending Under H.R. 3629

By Fiscal Year, Millions of Dollars

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
Estimated Budget Authority	2	1	0	1	0	2	0	2	0	2	5	10
Estimated Outlays	2	1	0	1	0	2	0	2	0	2	5	10

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

CFPB is permanently authorized to request and receive funding from the Federal Reserve in an amount necessary to carry out its operations and can spend those amounts without further appropriation. CBO estimates that the CFPB would need about a dozen employees in 2020 to complete a final rule on credit scoring models and to carry out the study. CBO expects that biannual reviews would begin in 2021 and would require six employees for each review. CBO estimates that the cost for each additional CFPB employee would be $200,000 in 2020.

H.R. 3629 would impose private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) by:

- Requiring developers of credit scoring models to comply with new standards for validating the accuracy and predictive value of their models, and
- Prohibiting, in some circumstances, developers from considering or including factors that the agency deems inappropriate in a credit scoring model.

Regulations established by the CFPB to implement those provisions would apply to any person creating, maintaining, using, or purchasing credit scoring models.

The mandates' costs would be the expenses incurred to comply with the new CFPB regulations. Because the agency has not yet issued those regulations, CBO cannot determine whether the cost of the mandates would exceed the private-sector threshold established in UMRA ($164 million in 2019, adjusted annually for inflation).

H.R. 3629 contains no intergovernmental mandates as defined in UMRA.

The CBO staff contacts for this estimate are David Hughes (for federal costs) and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.