

111TH CONGRESS
1ST SESSION

H. R. 1486

To amend the Fair Credit Reporting Act with respect to requirements relating to information contained in consumer reports, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2009

Mr. MEEK of Florida introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Fair Credit Reporting Act with respect to requirements relating to information contained in consumer reports, 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 “Mortgage Credit Re-
5 pair Act of 2009”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds as follows:

8 (1) The United States housing bubble effec-
9 tively burst towards the end of 2005, when default

1 rates on subprime and adjustable rate mortgages in-
2 creased dramatically.

3 (2) Mortgages with negative amelioration or
4 any other lending mechanism for which the loan
5 payment on principal for any period is less than the
6 interest charged over that period for some substan-
7 tial period of time have high default and foreclosure
8 rates.

9 (3) Mortgages in which there are incidences of
10 fraud or lender misconduct have high foreclosure
11 rates, including those in which—

12 (A) a mortgage was obtained despite the
13 lender fraudulently encouraging or requiring
14 the borrower to falsify or omit information
15 which was then used to call back the loan and
16 leading to foreclosure;

17 (B) a mortgage was obtained despite the
18 failure by the lender to give the borrower prop-
19 er documentation, including Good Faith Re-
20 quirements and Truth in Lending Disclosures;

21 (C) a mortgage was obtained despite occa-
22 sions where the borrower was given incomplete
23 forms to sign, with the required information
24 added by the lender after the borrower's signa-
25 ture was obtained; and

1 (D) a mortgage was obtained despite hav-
2 ing terms which was substantially or wholly dif-
3 ferent at closing than what was previously
4 agreed to.

5 (4) Standard, qualifying front-end debt ratios,
6 that is the monthly cost of a mortgage principal, in-
7 terest, taxes, and insurance (PITI) against the gross
8 monthly income of the borrower have historically
9 been approximately 28%, increasing for those with
10 stellar credit histories.

11 (5) However, many foreclosures and mortgage-
12 related bankruptcies involve borrowers who were
13 given mortgages with flat or adjustable rates that
14 caused front-end ratios well over 36% in many
15 cases.

16 (6) The effects of foreclosure or a resulting
17 bankruptcy can have a negative impact on an indi-
18 vidual's credit history for up to 7 years (10 years for
19 bankruptcy) for purchases under \$150,000 with re-
20 lated effects, and effects for purchases over
21 \$150,000 lasting much longer.

22 (7) Borrowers who unknowingly obtained bad,
23 improper or fraudulent mortgages which subse-
24 quently led to foreclosure, should be given the oppor-
25 tunity to rebuild their credit in a responsible way

1 without the substantial and lingering effects of fore-
2 closure outweighing present and past responsible
3 borrowing practices.

4 **SEC. 3. AMENDMENT TO DEFINITIONS.**

5 Section 603 of the Fair Credit Reporting Act (U.S.C.
6 1681a) is amended by adding at the end the following new
7 subsection:

8 “(y) FRONT END RATIO.—The term ‘front end ratio’
9 means a ratio that indicates what portion of an individ-
10 ual’s income is used to make mortgage payments, cal-
11 culated by dividing an individual’s gross monthly income
12 by their housing expenses, particularly the mortgage prin-
13 cipal, interest, taxes, and insurance (PITI).”.

14 **SEC. 4. SPECIAL CIRCUMSTANCE RELIEF.**

15 Section 605(a) of the Fair Credit Reporting Act
16 (U.S.C. 1681c(a)) is amended—

17 (1) by redesignating paragraphs (2), (3), (4),
18 (5), and (6) as paragraphs (3), (4), (5), (7), and
19 (8), respectively;

20 (2) by inserting after paragraph (1) the fol-
21 lowing new paragraph:

22 “(2) Cases under title 11 or under the Bank-
23 ruptcy Act that, from the date of entry of the order
24 for relief or the date of the adjudication, as the case

1 may be, antedate the report by more than 3 years
2 when each of the following are met:

3 “(A) During a period not less than 6
4 months prior to and continuing through the
5 time that the bankruptcy is filed, a consumer’s
6 front-end debt ratio on a mortgage instrument
7 originated or refinanced on or after January 1,
8 2003, was 37% or higher.

9 “(B) The consumer filed for bankruptcy no
10 earlier than January 1, 2004.

11 “(C) The consumer has not disputed the
12 accuracy of their report under paragraph (6)
13 during the period beginning January 1, 2004.

14 “(D) The consumer notifies the consumer
15 reporting agency directly and is able to submit
16 documentation to verify the above before March
17 31, 2009.”; and

18 (3) by inserting after paragraph (5) the fol-
19 lowing new paragraph:

20 “(6) Any adverse information excluding bank-
21 ruptcy, but including closed accounts, accounts in
22 collections, accounts charged to profit or loss, repos-
23 sessions, and foreclosures, shall be excluded if all of
24 the following circumstances have occurred:

1 “(A) The adverse information in the con-
2 sumer’s report was for new accounts and trans-
3 actions added after the first payment due date
4 on the consumer’s mortgage note, where the
5 front end ratio then became 37% or higher, but
6 not earlier than January 1, 2004.

7 “(B) The adverse information in the con-
8 sumer’s report was not added more than 6
9 months after a foreclosure on that consumer’s
10 primary residence or March 31, 2009, which-
11 ever is earlier.

12 “(C) The consumer notifies the consumer
13 reporting agency directly of their intent to seek
14 relief under this paragraph and is able to pro-
15 vide proper documentation and verification be-
16 fore March 31, 2009.”.

17 **SEC. 5. CONFORMING AMENDMENT.**

18 Subsection (b) of section 605 of the Fair Credit Re-
19 porting Act (U.S.C. 1681c(b)) is amended (in the matter
20 preceding paragraph (1)) by striking “paragraphs (1)
21 through (5)” and inserting “paragraphs (1), (3), (4), (5),
22 and (7)”.

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