

October 27, 2005- Sanchez Amendment Sanchez Amendment Included in House Federal Housing Finance Refo

Sanchez Amendment Included in House Federal Housing Finance Reform (GSE) bill;
Encourages Alternative Credit Scoring

Washington; October 26, 2005- Today, Congresswoman Loretta Sanchez offered an amendment to H.R. 1416, the Federal Housing Finance Reform Act of 2005. The amendment adds "alternative credit scoring" as an element of the Annual Housing Report, as detailed in Section 1324 of the bill.

Alternative credit scoring and consideration of alternative sources of credit information -- such as utility bills, rent payment, payroll and other recurring expenses -- would assist Government Sponsored Enterprises (GSEs) in achieving their stated goal "to promote and expand opportunities for first-time home-buyers."

In her statement on the House floor, Sanchez noted: "The reality is that 50 million Americans have little or no credit history. Many of these folks make a solid income, pay all their bills, and have substantial savings and investment. Nevertheless, they face tough, if not insurmountable, conditions to secure loans. Those who do qualify often have to pay excessive fees or elevated interest rates. The irony is that you are more likely to secure credit if you have some debt than if you have none."

This issue is of particular importance in Hispanic communities. Many of the so-called "underbanked" are Hispanic, with some estimates placing the number at 30 million. The mortgage industry estimates that up to 70 percent of its future growth will come from the Hispanic community. Lenders have concerns, however, about how those outside the traditional banking system will be able to gain access to credit and home loans if they have no traditional credit history. One of the answers may be the use of alternative credit scoring and alternative sources of credit information.

The Sanchez amendment asks that GSEs report on the use of these methods in an effort to promote greater home ownership, particularly in under-served communities.

The amendment was agreed to by a voice vote, with H.R. 1416 passing the House by a vote of 331-90.