

Chairman Jordan, Vice Chair Ferguson, Ranking Member Crossman, and members of the House

Financial Institutions Committee– thank you for the opportunity to provide sponsor testimony for House Concurrent Resolution 4. This legislation is to urge Congress to evaluate credit reporting agencies and rating effects.

Credit scores have a significant impact on many aspects of life. From purchasing a house to employment opportunities, it is essential for people to have a credit history and score. However, our current credit scoring system is inequitable and disproportionately harms communities of color. While it is illegal to use race in credit scoring models, studies by the National Consumer Law Center and Consumer Financial Bureau show that communities of color are more likely to be credit invisible. This means that they are not able to obtain a credit score and therefore have less access to credit. With less access to credit, communities of color are shut out from many opportunities in life.

There is already a significant racial wealth gap in this country. If we do not fix the credit scoring system, it will continue to reinforce inequalities in our society by dictating a consumer's access to future opportunities, which contributes even further to the existing wealth gap.

Not only do we have a moral obligation to fix the credit scoring system, we have a legal obligation. The Fair Housing Act forbids discrimination in all aspects of residential real-estate related transactions and the Equal Credit Opportunity Act forbids credit discrimination on the basis of race. The demonstrated inequality in our current credit scoring system blatantly violates these Acts.

Congress needs to examine the impact of credit-scoring mechanisms, especially as they relate to underserved groups, and to also analyze and correct the disparate impact of credit-scoring systems. This is a logical step in tackling the issue of the disparate impact of credit scoring systems.

Thank you for the opportunity to testify on HCR 4 before you this morning and I would be happy to answer any questions that the committee may have.