

Opening Statement of the
Honorable Maxine Waters, D-35th CA

Committee on Financial Services

*Hearing on “Use of Credit Information Beyond Lending: Issues
and Reform Proposals”*

Wednesday, May 12, 2010

2128 Rayburn House Office Building

10 a.m.

Thank you, Mr. Chairman.

I am very concerned about the non-lending use of credit scores, particularly the use of credit scores in setting rates for car and homeowners’ insurance. Frankly, I don’t think that a person’s credit score has any bearing on whether or not they are more likely to be in a car accident or to have their home burglarized, but

insurance companies are using credit scores in this way. This is why I worked on legislation in the last Congress—with Reps. Gutierrez, Watt, and Frank—to ban the use of credit scores to set insurance rates. I plan to reintroduce this legislation soon.

I am also concerned about the use of credit scores to determine employment decisions. There are serious questions about whether or not credit scores are fair and sometimes events that are beyond the control of consumers negatively impact their credit score.

For example, last year, when this Committee marked up the Credit Card Bill of Rights, I was prepared to offer an amendment to ban the phenomenon of credit card companies lowering the credit limits of borrowers based on where they shop. While I didn't offer that particular amendment, I did offer an amendment

that required the Federal Reserve to study this practice because when a credit line is lowered, that negatively impacts the consumer's credit score.

But in the current environment, a consumer who had their credit line and then their credit score lowered—through no fault of their own—could lose out on a job that they would have otherwise qualified for. This is bad policy in the best of economic times; in the current recession it makes even less sense.

Furthermore, sometimes credit scores just aren't accurate. Some consumers that identify errors on their credit reports—which can in turn impact their credit score—have a hard time getting that negative information removed. Moreover, consumers that receive loan modifications can see their score drop by 100 points, even though they are making their newly modified

mortgage payments on time. Given the problems with accurate credit reporting, it is simply unfair for a person to be denied employment because of a low score.

I hope that our two panels of witnesses can shed some light on the issues I've just mentioned. I also hope that our witnesses can inform us about whether or not credit scores are a proxy for race and if so, what impact that is having on the ability of minority consumers to obtain credit.

Thank you, Mr. Chairman. I yield back the balance of my time.