Written Testimony of
Lisa Rice
Vice President, National Fair Housing Alliance

Before the House Financial Services Committee
Subcommittee on Oversight and Investigations

"The Impact of Credit-Based Insurance Scoring on the Availability and Affordability of Insurance"

May 21, 2008

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My name is Lisa Rice and I am the Vice President of the National Fair Housing Alliance (NFHA). I want to thank Chairman Watt, Ranking Member Miller, and the members of this Committee for the opportunity to testify today on credit-based insurance scoring.

Founded in 1988 and headquartered in Washington, DC, the National Fair Housing Alliance is a consortium of more than 220 private, non-profit fair housing organizations, state and local civil rights agencies, and individuals from throughout the United States. Through comprehensive education, advocacy and enforcement programs, NFHA works to eliminate housing discrimination and protects and promotes residential integration and equal access to apartments, houses, mortgage loans and insurance policies for all residents of the nation.

Congress should ban the use of credit scoring in insurance because it has been shown time and time again to have a disparate impact on people of color and women. The National Fair Housing Alliance is especially concerned about the use of credit scoring in homeowner's insurance, but is opposed to its use in all personal lines of insurance.

Insurance Credit Scores and Race Discrimination

Before the introduction of the credit scoring systems the insurance industry had used other unsupported standards and stereotypes with a racial proxy effect. These included restricting coverage altogether or limiting the type of coverage offered based on either 1) the age of the housing; 2) the market value of the housing; or 3) the ratio between the market value and the replacement cost amount of the house. These policies have been demonstrated to have a discriminatory effect against Latinos and African-Americans. After several companies were sued for fair housing violations and were forced to eliminate these practices, the industry introduced a new practice – credit-based insurance scoring – that consumer and civil rights groups see as re-introducing racial and ethnic effects into the eligibility and pricing of insurance.

Studies by the Missouri and Texas Departments of Insurance have found that insurance scoring discriminates against low income and minority consumers because of the racial and economic disparities inherent in scoring. The Missouri study concluded that a consumer's race was the single most predictive factor determining a consumer's insurance score and, consequently, the consumer's insurance premium.[1]

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[1] *Insurance-Based Credit Scores: Impact on Minority and Low Income Populations in Missouri*. State of Missouri Department of Insurance. January 2004, and *Report to the 79th Legislature, Use of Credit Information by Insurers in Texas.* Texas Department of Insurance, December 30, 2004.

The relationship between insurance credit scores and race is so strong that even though the Federal Trade Commission used data handpicked by the industry for its 2007 study of auto insurance, the Commission found that credit scoring discriminates against low income and minority consumers, and that insurance scoring was a proxy for race. The study states that "the FTC's analysis indicates that credit-based insurance scores appear to have some proxy effect for three of the four coverages studied, but that this is not the primary source of their relationship with claims risk."[2] The FTC report also found that Latinos and African-Americans are over-represented among consumers with the lowest credit scores. It reported that "more than one-half of all African-Americans have credit scores in the lowest quarter of the overall score distribution, and one-half of all Hispanics have credit scores in the lowest third of the overall score distribution." This means that African-Americans and Latinos pay more, on average, for auto insurance than non-Hispanic Whites, simply because of their credit scores, not because of any risk related to driving.

The FTC study also confirmed that, despite growing reliance on credit-based insurance scores, scant evidence exists to prove there is a meaningful connection between a consumer's score and auto insurance losses. Without the need to demonstrate such a connection, insurers could use any consumer characteristic, such as hair color or zodiac sign, to price insurance products.

FTC and the Insurance Industry: Blaming the Victim

The FTC report mimics the insurance industry's "blame the victim" mentality of claiming credit history is related to responsibility and risk management. A look at the actual scoring models shows that socio-economic factors have more impact on the score than loan payment history and that an insurance credit score has little to do with personal responsibility and everything to do with economic and racial status.

Insurance industry experts argue that using scoring systems is appropriate because there is a statistical relationship between the scores and certain outcomes tied to risk. For example, Patrick Brockett, Ph.D., Professor at the University of Texas at Austin, in referring to Actuarial Standard No. 12, argued that the statistical relationship between scoring mechanisms and risk outcomes justifies the use of the systems, even in the face of evidence that African-Americans and Latinos have lower scores than their White counterparts. Actuarial Standard No. 12 states that it is not necessary to prove causality between a variable and a particular outcome. Showing a strong statistical relationship between a variable and a particular outcome is sufficient. In other words, according to the standard, when building a scoring model, one need not be concerned with demonstrating or proving that any given variable used in the model actually has a causal relationship with any given outcome or result. One only need demonstrate that there is a high statistical correlation between a given variable and a given result.

Dr. Brockett argues that there are "intrinsic underlying individual biological and psychological characteristics of risk-taking in both financial behavior and driving." He states, "the connector between insurance losses and credit scores is the psychological dimension." Dr. Linda Golden, also a professor at the University of Texas at Austin also claims that insurance scoring ferrets out

[2] *Credit Based Insurance Scores: Impacts on Consumers of Automobile Insurance: A Report to Congress by the Federal Trade Commission*. July, 2007, page 69.

a risk-taking personality trait. As she puts it, "Biochemistry influences personality. Our biochemistry may be the determinant of our personality, which then may have a strong influence on risk-taking impacting our credit scores, helping to explain in the bigger picture why credit scores predict."[3]

If one were to simply accept this argument on its face, one would have to conclude that, since African-Americans and Latinos generally have lower insurance scores than do Whites, that African-Americans and Latinos have risk-taking biochemistry that cause them to live riskier lives, hence the lower scores.

The FTC study mimicked this argument by citing Brackett and Golden in its report and surmising that "a driver with a low credit-based insurance score may be in a distressed financial situation. This may cause stress that makes the consumer a less attentive driver. Being in a distressed financial situation also might give the driver a greater incentive to try to obtain payment under an insurance policy."[4]

Lending Discrimination in the Marketplace

However, this stance by the industry completely ignores the fact and reality that African-Americans and Latinos do not have lower insurance scores because they somehow have "intrinsic underlying individual biological and psychological" risk-taking characteristics. African-Americans and Latinos have lower insurance scores because of direct and indirect discrimination in the marketplace.

America has a bifurcated lending system that has negative effects on African-Americans and Latinos. It always has. There has never been a time in our history when African-Americans and Latinos have participated in the financial mainstream markets to the same degree as their White counterparts. Lower credit and insurance scores among Latinos and African-Americans are a function of the U.S.'s bifurcated lending system in which Latinos and African-Americans are disproportionately represented in unregulated and debilitating financial markets.

Mortgage lending in the United States did not become widely used until the early 1900s as urbanization began to take root. As more people began flooding urban centers, the demand for credit grew prompting the savings and loan industry to expand. During this time, Jim Crow laws and Black Codes overtly and openly prohibited housing and lending opportunities for African-Americans and other people of color. Exclusionary zoning practices were the norm in our communities. According to Steve Dane, a leading fair lending and civil rights attorney, it was during the early part of the 20th century that "economic theorists and appraisers began espousing the view that economic value and loan risk were related to race." Real estate, lending and appraisal manuals readily embraced the idea that racial homogeneity was key to sustaining home value and that the racial characteristics of the neighborhood affected real estate value and, therefore, loan risk.

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[3] "Actuaries Have Special Role When Explaining Credit Scores and Losses", *Insurance Journal, Property Casualty Magazine*, November 16, 2007 edition.

[4] Federal Trade Commission, op. cit., page 32.

Indeed appraisal manuals created by the American Institute of Real Estate Appraisers listed a ranking of races and nationalities to indicate their impact on real estate value. The most favorable groups were listed at the top. The least favorable groups were listed at the bottom. One of the rankings appeared as follows:

1. English, Germans, Scotch, Irish, Scandinavians
2. North Italians
3. Bohemians or Czechs
4. Poles
5. Lithuanians
6. Greeks
7. Russians, Jews (lower class)
8. South Italians
9. Negroes
10. Mexicans.

This bias created and fostered the separate and unequal financial system that still exists today. Racism is still present in the American marketplace and it is inextricably tied to inequality in our lending and financial markets.

Several studies have revealed discriminatory lending practices. A study by the Department of Housing and Urban Development found that African-American and Latino homebuyers "face a statistically significant risk of receiving less favorable treatment than comparable Whites when they ask mortgage lending institutions about financing options."[5]

An earlier analysis by Fannie Mae of the Boston Federal Reserve's research that revealed high levels of lending discrimination, verified that African-Americans were much more likely than their White counterparts to receive a loan denial. Fannie's Mae's research concluded that the Boston Fed's finding that lenders rejected minority loan applicants 56 percent more often than similarly situated White applicants was accurate. Moreover, Fannie Mae found additional evidence to support the Boston Fed's findings.[6]

The National Fair Housing Alliance conducted a multi-year lending testing project which was reviewed by Margery Turner and Felicity Skidmore. NFHA's lending testing uncovered multiple ways in which African-Americans were denied lending opportunities in the financial mainstream markets including: 1) differences in the qualitative and quantitative information provided to African-American and White loan seekers with African-Americans receiving inferior treatment; 2) lenders' urging African-American customers but not white customers to go to another lender for service; 3) lenders' indicating to African-American but not White customers that loan procedures would be long and complicated; 4) African-Americans' being more likely than their equally qualified white counterparts that they would not qualify for a loan; and 5)

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[5] Turner, et al. *All Other Things Being Equal: A Paired Testing Study of Mortgage Lending Institutions*. The Urban Institute, 2002.
[6] Carr and Megboulugbe. "The Federal Reserve Bank of Boston Study on Mortgage Lending Revisited." *Journal of Housing Research*, Volume 4, Issue 2, Fannie Mae, 1993.

White customers' being much more likely to be coached on how to handle the lending process and deal with problems in their financial profiles. Turner and Skidmore concluded that NFHA's testing provided "convincing evidence of significant differential treatment discrimination at the pre-application stage."[7]

The denial of affordable, quality credit to deserving consumers of color has lead to the voluminous growth of the subprime market. Amazingly, while mainstream, prime lenders had paltry penetration levels among borrowers and communities of color, their subprime affiliates and subsidiaries over-penetrated the market using aggressive marketing tactics. Multiple reports and analyses have revealed that African-Americans and Latinos are more apt to access credit in an unregulated, high-cost environment and that these groups are much more likely than Whites to obtain unsustainable loans. A study by the Consumer Federation of America found that African-Americans and Latinos are more likely to receive payment-option mortgages. Indeed, Latinos are nearly twice as likely as non-Latinos to receive payment-option mortgages. African-Americans were 30.4 percent more likely than non-African Americans to receive payment-option mortgages. African-Americans were more likely than non-African-Americans to receive interest-only loans, which have proved to be a highly volatile loan product.[8]

Unfortunately, African-Americans and Latinos are much more likely to fall prey to high-cost and abusive financial services because predatory lenders set up shop in predominately African-American and Latino communities and aggressively market unsustainable and volatile loan products to these populations. According to the 2006 HMDA data, African-Americans and Latinos are much more likely to receive a subprime loan than their White counterparts. Roughly 54% of African-Americans and 47% of Latinos received subprime loans compared to approximately 17% of Whites. ***Even higher income African-Americans and Latinos receive a disproportionate share of subprime loans. According to one study that analyzed more than 177,000 subprime loans, borrowers of color are more than 30 percent more likely to receive a higher-rate loan than white borrowers, even after accounting for differences in creditworthiness.***[9]

Subprime lenders assert that the higher fees they charge are required due to the added risk that their borrowers present. However, both Fannie Mae and Freddie Mac have reported that a significant number of borrowers who received subprime loans would have qualified for a prime loan. Moreover, Federal Reserve Governor Edward Gramlich noted that half of subprime borrowers had credit scores of 620 or higher. (At the time of his statement, a score of 620 would qualify a borrower for a prime loan.) Even the subprime industry itself boasted to its investors that a substantial portion of its borrowers were prime borrowers. According to a study conducted by the Wall Street Journal, this number may be as high as 61 percent.[10]

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[7] Turner and Skidmore. *Mortgage Lending Discrimination: A Review of Existing Evidence*. The Urban Institute, 1999.

[8] *Exotic or Toxic? An Examination of the Non-Traditional Mortgage Market for Consumers and Lenders*. Consumer Federation of America, May, 2006.

[9] See Bocian, D. G., K. S. Ernst, and W. Li, *Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages*, Center for Responsible Lending, May 2006, p. 3.

[10] "Subprime Debacle Traps Even Very Creditworthy," *Wall Street Journal*, December 3, 2007.

While not all subprime loans are predatory and while predatory lending can certainly be found in the prime market, it is true that subprime loans are much more volatile than prime loans. Additionally, certain loan features typically characteristic of subprime mortgages, including prepayment penalties and yield spread premiums, contribute to the unsustainable nature of these loans. Again, African-Americans and Latinos are more likely than their White counterparts to receive loans with these harmful features.

An analysis by the Center for Responsible Lending shows that borrowers residing in zip codes whose population is at least 50 percent minority are 35 percent more likely to receive loans with prepayment penalties than financially similar borrowers in zip codes where minorities make up less than 10 percent of the population.[11] Moreover, an ACORN study revealed that high income African-Americans in predominantly minority neighborhoods are three times more likely to receive subprime loans than low-income whites.[12] Since borrowers with subprime loans are *eight times more likely to default* than those with conventional loans, it is highly unlikely that homeowners and prospective homeowners with good credit actively look to secure a subprime loan.[13] A more likely explanation is the use by some lenders of shrewd and deceptive sales techniques designed to induce families to act contrary to their best economic interests.

Not only do African-American and Latino borrowers receive a disproportionate share of subprime loans but they are also more frequently victimized by payday lending. This form of lending comes at an extremely high cost. The typical fee on a $300 payday loan is about $45 and carries an annual percentage rate of over 400 percent. People who tap into payday loans are quickly ensnared in an invidious cycle of debt. The overwhelming majority of payday loans are made to borrowers with five or more payday loans per year.

Payday lenders are highly concentrated in predominantly Latino and African-American neighborhoods as well as low-income communities. As the map below of the distribution of payday lenders in the District of Columbia reveals, there are few payday lending shops in predominately White neighborhoods. This pattern is typical across the country. A study of payday lending in Illinois revealed that payday lenders are much more concentrated in zip codes with high African-American and Latino populations[14]. Yet another study conducted in North Carolina revealed that payday lenders were disproportionately concentrated in African-American neighborhoods[15].

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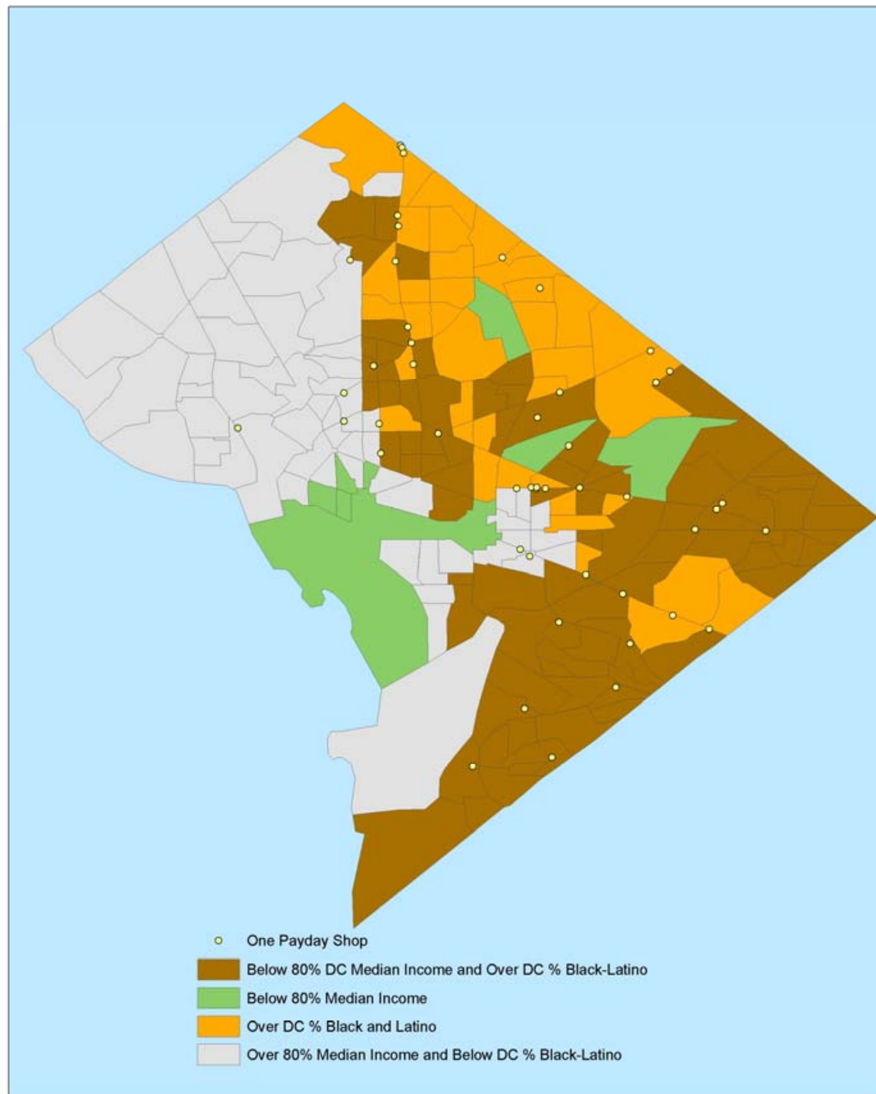
[11]Bocian, D.G. and R. Zhai, *Borrowers In Higher Minority Areas More Likely to Receive Prepayment Penalties on Subprime Loans*, Center for Responsible Lending, January 2005.
[12] *The Impending Rate Shock: A Study of Home Mortgages in 130 American Cities*. ACORN 2006.
[13] See Kilborn, P., "Easy Credit and Hard Time Bring a Flood of Foreclosures," *New York Times*, November 24, 2002; cited in Squires, G. D., "The New Redlining," in Squires, ed., *Why the Poor Pay More* (Westport, CT: Praeger, 2004), pp. 1-23; p. 3.
[14] The Woodstock Institute. Reinvestment Alert No. 25, Chicago, Il. (April, 2004). http://woodstockinst.org/document/alert_25.pdf.
[15] Davis, D., et al. *Race Matters: The Concentration of Payday Lenders in African-American Neighborhoods*. Center for Responsible Lending, Durham, NC., 2005



These facts underscore the tenuous homeownership status so many Latinos and African-Americans face – again, not because they somehow pose some intrinsic risk but, rather because controllable forces are at work negatively impacting the ability of these communities to obtain access to quality credit. African-Americans and Latinos face added barriers when trying to become homeowners or trying to sustain homeownership status. ***According to a HUD study analyzing homeownership sustainability patterns among first-time homebuyers, it takes African-Americans and Latinos longer to become homeowners. However, once homeownership status is attained, these groups lose their status the quickest. The study reveals that the average homeownership stay for Whites, Latinos and Blacks is 16.1 years,***

12.5 years and 9.5 years respectively. The relatively short homeownership period for Blacks and Latinos is most likely linked to the higher probability that these groups receive higher-cost and subprime loans. Moreover, after first-time homeowners enter the foreclosure cycle, it takes African-Americans and Latinos much longer to recover from the devastation. ***After foreclosure, the duration of renting or living with relatives is 10.7 years for Whites, 14.4 years for African-Americans and 14.3 years for Latinos.***[16]

Current Foreclosure Crisis Has Put the Financial Profiles of Millions of Families at Risk

The bifurcated lending system in the U.S. has not only compromised the credit profiles of millions of African-Americans and Latinos but has helped lead to the foreclosure crisis our country now faces. Borrowers who clearly entered the mortgage cycle with sound credit are now facing plummeting credit scores and years of work to rebuild their profiles. This scenario will be disproportionately experienced by borrowers of color who were the borrowers most likely to receive subprime and non-traditional mortgages.

It is wholly unfair to further burden borrowers who were unfairly targeted by unscrupulous lenders with higher insurance premiums. These borrowers will not suddenly turn into poor drivers or lax homeowners simply because their credit scores have decreased.

As described above, many borrowers, indeed if some reports are to be believed most borrowers who received non-traditional, subprime loans, received these loans not because their financial profiles warranted it; rather, they received the loans due to, in some cases predatory practices, and in other cases, slick and aggressive marketing and less than transparent loan procedures. In fact, most of these borrowers did not pay an interest rate that was commensurate with their level of risk. They, instead, paid an interest rate that benefitted the loan originator or broker.

Obviously, since credit scoring mechanisms are built on data retrieved from the credit repositories, it will be impossible to excise the effects of discriminatory and predatory lending from the scoring models. This means that victims of predatory lending, a majority of whom are borrowers of color, will pay more for their insurance products simply because they were victimized by unscrupulous lenders.

Current Legislation: HR 6062 and HR 5633

Banning credit-based insurance scoring is a civil rights issue. We are happy to see that Representatives Watt, Gutierrez, Waters, and Frank have sponsored legislation related to eliminating the racial discrimination intertwined, or even inherent, in credit-based insurance scoring. I would like to take a moment to give you our feedback on the two current bills, H.R. 5633 and H.R. 6062.

NFHA supports HR 6062, Personal Lines of Insurance Fairness Act of 2008, in that it bans the use of consumer reports and consumer information in the underwriting or rating in connection

[16] Donald R. Haurin and Stuart S. Rosenthal, *The Sustainability of Homeownership: Factors Affecting the Duration of Homeownership and Rental Spells.* U.S. Department of Housing and Urban Development Office of Policy Development and Research, December, 2004.

with personal lines of insurance. We have outstanding questions about how the law would be enforced under an amended Fair Credit Reporting Act. We also have outstanding questions about allowing the use of Comprehensive Loss Underwriting Exchange (CLUE) database, because of our serious concerns about the current use of this database. But we look forward to working with the members to assure the best bill possible.

We also appreciate the efforts regarding HR 5633, Nondiscriminatory Use of Consumer Reports and Consumer Information Act of 2008, but have a number of concerns about the bill as proposed. We fear that the legislation, as written, will not ban insurance credit scoring if the use of consumer credit information for insurance underwriting or rating discriminates on the basis of race or ethnicity.

Instead, *HR 5633 could serve to legitimize insurers' use of credit-based insurance scoring in general*. So long as the FTC claimed that it did not find the use of a scoring methodology to be discriminatory, an insurance company could continue to use the methodology.

In addition, *HR 5633 establishes the FTC as the arbiter of determining racial discrimination although this agency has virtually no track record or enforcement experience in this area*. In fact the FTC study published last summer demonstrated a severe bias against consumers and for insurers on insurance scoring, as mentioned above.

In HR 5633, the determination of discrimination or proxy effect is the responsibility of the FTC. The FTC has already stated that it sees no discrimination and no substantive proxy effect (in spite of the fact that the details of its study show otherwise). The FTC says that it sees no statistical definition of discrimination or degree of statistical relationship with race that constitutes discrimination or proxy effect. The FTC made this finding even though it did not conduct disparate impact testing or attempt to build a model that had a less discriminatory effect. Consequently, the FTC will bless insurance scoring.

In the same vein, HR 5633 makes no provisions for a private right of action. If the FTC has the final say, there would be no recourse under this bill for anyone who wants to challenge (in court, for example) the racially discriminatory use of credit in insurance. This would be a real problem for civil rights groups and individual consumers for challenging this practice in the future.

HR 5633 lacks an objective standard for identifying racial discrimination, giving broad discretion to the FTC. As written, the proxy effect language does not clearly and adequately incorporate the legal concept of disparate impact. Currently in the bill, the FTC could, using statistics, find some correlation to race and income and some proxy effect, but determine it is not substantive and conclude no discrimination or proxy effect results. A policy could be discriminatory without necessarily being discriminatory *statistically*. Instead, the language in the bill should prohibit BOTH systems that incorporate racial proxies and those that have unlawful disparate impacts.

It is important to note that, as Actuarial Standard No. 12 states, it is not necessary to find a causal relationship between a variable and a particular outcome; it is sufficient to find a significant statistical relationship between a variable and a particular outcome.

A recent study conducted by InsuranceHotline.com, demonstrates that if you crash your car, you can "Blame the Stars"[17]. According to the study, there is a statistically significant correlation between zodiac signs and car accidents. The study looked at the records of 100,000 North American drivers from the past six years. Based on the study's findings, Libras, Aquarians and Aries are the worst drivers. However, Leos and Geminis were found to be the best drivers. Several years ago, a California based insurer found similar types of correlations between zodiac signs and driving patterns.

Should we be advocating the consideration of an insured's zodiac sign in order to determine eligibility or set premium rates? Some things are beyond the pale. Just as we would not, encourage utilizing zodiac signs to set rates, it is equally ridiculous to use credit repository data to set insurance eligibility standards and/or rates.

The National Fair Housing Alliance was involved in litigation against an insurance company that utilized a credit scoring model. I cannot share the name of the company because the discovery conducted as a result of this litigation was done so under protective order. However, I can share that, because we had access to the insurer's scoring model, we were able to determine if there was a discriminatory impact on African-Americans. In fact, an analysis of the scoring mechanism found clear disproportionate impact on African-Americans and the price they paid for insurance. ***An analysis of the system also revealed that the difference in premium paid by non-minorities versus African-Americans could not be accounted for by differences in their risk profiles.*** This resulted in an unnecessary level of disproportionate impact that could not be explained by differences in risk. However, the differences in premium were directly related to differences in race.

Why? We found what we found because you cannot use a dataset that does not capture and accurately and adequately reflect the true experiences of a particular demographic group to build a scoring model. If you do, you will build a model that does not optimize its predictive value for that demographic. You cannot build a scoring model using data from credit repositories and expect that a) there will be no discriminatory effect in the model; and b) that the model will be able to accurately and adequately capture the behavior of the under-served groups. Credit repository data is replete with the effects and results of decades of discrimination in our markets. We cannot excise that information.

Moreover, credit repository data does not adequately capture the true patterns of under-served groups. One reason is because many financial vehicles that provide services to under-served groups do not report positive information to the credit repositories. For example, many community development financial institutions (CDFIs) that specialize in providing quality, affordable, sustainable credit to under-served groups often do not report data to the credit repositories. This is because they often do not have enough records to report data to the repositories. TransUnion requires a creditor to have at least 100 records in order to submit data. Therefore, if a CDFI does not have at least 100 loans on its books, it is unable to report positive payment data to TransUnion and other repositories.

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[17] Reuters, "Crash Your Car? Blame the Stars", MSN Money, 2006.
http://articles.moneycentral.msn.com/Insurance/InsureYourCar/StudyLinksZodiacAndCarCrashes.aspx.

Ironically, if a CDFI borrower has trouble paying his or her loan and the file is turned over to a collection agency, this negative information can be reported to the credit repositories. Additionally, if a borrower is subjected to a foreclosure, this negative information is also reflected in the credit report regardless of the size of the creditor.

It is also important to note that some creditors do not report positive data to credit repositories simply because they choose not to do so. There is no law requiring a creditor to report data; the system is voluntary. We believe this practice has disproportionately impacted communities of color in a negative way since the financial institutions that typically do not regularly report positive data to the repositories are either unregulated or sparsely regulated entities.

Because it is impossible to remove bias from information reported to credit repositories, and because data reported to the repositories does not completely and adequately capture the experiences of under-served groups, utilizing the data weakens the predictive power of scoring models and compromises any results.

HR 5633 could interfere with state-based insurance regulation and makes unclear what types of state insurance regulation are or are not pre-empted. Although the bill strives to not pre-empt stricter state laws on insurance scoring, the legislation confers onto a federal agency the task of identifying and stopping unfair discrimination which traditionally has been the role of states. In addition, it confers onto a federal agency the task of determining which state laws are “stronger” and which are “weaker.”

Conclusion

The utilization of credit scores will cause a discriminatory effect. While the industry may argue that there is a correlation between insurance scores and losses, the industry cannot provide enough empirical data to demonstrate that the use of the models are justifiable given the discriminatory outcomes. Moreover, the current foreclosure crisis will result in credit deterioration for millions of Americans. HR 5633, in its current state, does not provide timely assistance for the millions of consumers who face higher auto and homeowners insurance rates because of abusive and reckless lending practices.

The National Fair Housing Alliance advocates instead for a ban on the use of consumer credit information for insurance, as is the goal of HR 6062. Short of a full ban, we would encourage you to consider legislation proposing a temporary "freeze" on the use of this information by insurers during the current mortgage crisis. It would be unfair to punish victims of this crisis with increased insurance costs.

Thank you again for the invitation to speak to you today.