

**Stop the Debt Trap Alliance’s Testimony in Support of HB2043
Public Hearing in the Committee on Business and Labor
February 24, 2021**

Chair Holvey, Vice-Chair Bonham and Grayber and Members of the Committee:

Thank you for considering this important bill. My name is Talia Kahn-Kravis. I’m a resident of Portland and work for Credit Builders Alliance- a national nonprofit that supports nonprofits, community development organizations, and public and tribal entities help their underserved consumers build credit as an asset. I also represent the Stop the Debt Trap Alliance, a coalition of advocates and practitioners that promote laws and business practices that advance consumer justice in Oregon.

Before working at CBA, I was a financial coach at one of its members organizations- a small nonprofit in Portland. Like many of my colleagues in the Stop the Debt Trap Alliance, I spent hours each day creating budgets with my clients and helping them make sense of and confront items on their credit report. Among the diversity of clients I worked with, many were young adults addressing identity theft, women seeking to leave their abusive husbands but terrified to take the leap, because of the massive debt drawn up under their name; immigrants who wanted to become homeowners, but had no experience with credit and were unable to access mainstream financial products; people recovering from a health emergency and weighed down by massive medical debt, and justice involved individuals seeking a fresh start, but facing the costs and limits of a stale credit profile and a criminal record. The majority of my clients were single moms and woman of color working low wage jobs. They were impressively resourceful at stretching every penny to sustain their family. Yet, stretching pennies only goes so far when the systemic odds are perpetually stacked against you, making economic mobility a Sisyphean feat.

Unfortunately, the barriers my clients faced are far too common in Oregon. About 400,000 Oregonians work a low wage job.¹ One in five Oregonians don’t have enough of a credit history to be scored² and 24 percent have a sub-prime credit score.³

Numerous studies show that financial and racial disparities are reflected in and perpetuated by credit scores.⁴⁵⁶ So, these credit-challenged Oregonians are disproportionately likely to be low-income and people of color and pay more for products and services than their higher income counterparts. It’s a catch-22: people with low or no credit typically have less money but need more money to access essential products. Credit-based auto insurance scoring exemplifies this “poverty tax” phenomenon.

For the many low-income Oregonians who rely on their car to get to work, owning a car and thus purchasing car insurance is not a choice. The use of credit scores as well as other demographic proxies

¹ Oregon Center for Public Policy. (2019) “A Portrait of Oregon’s Minimum Wage Workers.” Retrieved [here](#).

² Consumer Financial Protection Bureau. “Community Credit Profile: Oregon.” Retrieved [here](#).

³ Federal Reserve Bank of New York. “Community Credit: A New Perspective on America’s Communities.” Retrieved [here](#).

⁴ Ratcliffe, Caroline and Steven Brown, November 20, 2017. “Credit scores perpetuate racial disparities, even in America’s most prosperous cities.” Urban Institute. Retrieved [here](#).

⁵ Consumer Financial Protection Bureau. December 2016. Who Are the Credit Invisibles?
https://files.consumerfinance.gov/f/documents/201612_cfpb_credit_invisible_policy_report.pdf.

⁶ Rice, Lisa, Dierdre Swesnik. (2013) Discriminatory “Effects of Credit Scoring on Communities of Color.” Suffolk Law Review, Vol. XLVI: 935-966.

for household income such as education, occupation, criminal history, employment, marital, and housing status is a misplaced and inequitable use of data. Furthermore, lower-income Oregonians and Oregonians of color, who are already performing the alchemy of penny stretching, should not shoulder the burden of subsidizing the premiums of Oregonians with higher scores but worse driving histories. The State of Oregon can play a role in making this essential coverage fairer. It's time we take proactive measures to address injustices and undo a poverty tax that has been baked into the insurance industry. Thank you in advance for working towards a more equitable Oregon by supporting the passage of HB2043.