



February 22, 2023

House Committee on Business & Labor
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

Chair Holvey, Vice Chair Sosa, Vice Chair Elmer and Members of the Committee:

My name is Loren Naldoza and I am writing to you today on behalf of the **Stop the Debt Trap Alliance (SDTA)** to express our strong support for **HB 2920**, which would make important changes to current consumer protection laws in Oregon and ensure that Oregon consumers are treated fairly in the motor vehicle liability insurance market.

The Stop the Debt Trap Alliance is a coalition of organizations from across the state. Our members have come together to ensure that Oregon consumers can rely on fair and equitable consumer protections in our state. Our coalition was created by direct service providers such as housing and credit counseling and nonprofits, with the goal of improving the lives of their clients and the communities that they serve.

In many parts of our state, owning a car is essential for commuting to work, accessing education, obtaining medical care, or staying in touch with family. Oregon, despite its several public transit options in larger metropolitan areas, is not an exception to the nationwide trend that travelling by car is the most popular way of getting around. This trend is illustrated by the following facts. Oregon's population currently sits at around 4.24 million people,¹ though there are 4.1 million registered vehicles in the state, 3.2 million of which are passenger vehicles.² Pair this with the Oregon law that requires all individuals operating a motor vehicle to have motor vehicle liability insurance.³ For this reason, the question of how much consumers pay in auto insurance is an extremely important consideration, given how many families and individuals interact with this market.

The cost of motor vehicle liability insurance depends on a number of factors, including driving experience, miles driven in a year, and overall driving behavior. In any case, the amount a consumer pays in auto insurance is an added cost that a consumer must incur. **What is troubling, however, is the weight that a person's credit score has on their rates.**

The use of credit scores for determining auto insurance rates is problematic for a number of reasons:

Credit scores don't measure good driving behavior. Credit scores are indicators of risk that a lender takes when they lend money or offer a service in exchange for timely payments. It gives lenders and other

¹ U.S. Census Bureau, QuickFacts: Oregon, available at <https://www.census.gov/quickfacts/OR>

² Oregon Driver & Motor Vehicle Services, DMV Key Facts, available at <https://www.oregon.gov/odot/dmv/pages/news/factsstats.aspx>

³ OR. REV. STAT. 806.010(1)(a)

industries a prediction of how likely a consumer will pay a loan back on time, versus the risk that they will miss a payment or default. Credit scores, however, do not measure your driving behavior: in other words it does not measure whether you will drive responsibly, or whether you will drive recklessly, or the whether you will get in a wreck.

Credit disproportionately impacts rates relative to other factors. Despite the fact that credit has little to no bearing on a consumer's driving behavior, we also have seen that poor credit disproportionately impacts auto insurance rates, more so than other factors. This is illustrated by Consumer Reports, which found that, on average, an Oregon driver with poor credit will pay roughly \$1,288 more for auto insurance annually than someone with excellent credit. By contrast, a consumer with excellent credit and a driving while intoxicated (DWI) conviction will pay only \$763 more than a driver with excellent credit.⁴ These statistics illustrate the disproportionate weight your credit score has over more relevant data regarding driving behavior.

There are significant racial disparities in credit access and in achieving excellent credit, and therefore, there exist racial disparities in access to affordable auto insurance rates. A number of sources illustrate that BIPOC communities, particularly Black⁵ and Latinx⁶ communities in the U.S. are more likely to have lower credit scores or be credit invisible (i.e. little to no credit history). Because of the significant impact that one's credit score has on auto insurance rates, and because BIPOC communities on average have low credit scores and credit histories relative to white consumers, it has been observed that BIPOC communities also pay more for automobile insurance relative to their white counterparts.⁷ Specifically, it has been observed that ZIP codes that predominantly comprise Black communities face premiums that are 60% higher than predominantly white ZIP codes.

Taken together from a consumer's perspective, credit-based insurance scores are questionable in the measurement of driver behavior, and perpetuate racial disparities in that communities of color will continue to pay more in auto insurance than white communities unless the Legislature addresses the impact that credit scores have on auto insurance rates and, by extension, our communities.

The Stop the Debt Trap Alliance urges your strong support of HB 2920, which would prohibit from consideration credit scores and credit-based insurance scores in the determination of auto insurance rates.

Sincerely,
Loren Naldoza, on behalf of the Stop the Debt Trap Alliance

⁴ Consumer Reports, *The Secret Score Behind Your Rates*, July 30, 2015, available at <https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm>.

⁵ See, e.g. Kristen Borady, Mac McComas and Amine Oazad, An analysis of financial institutions in Black-majority communities: Black borrowers and depositors face considerable challenges in accessing banking services. BROOKINGS INSTITUTION, Nov. 2 2021 (Black communities are more likely to have lower credit scores, less or no credit history).

⁶ See, e.g. UNIDOS US, *Latinos' Access to Credit Remains Low and Stratified*, Oct. 13, 2022, available at <https://unidosus.org/publications/latinos-access-to-credit-remains-low-and-stratified/>

⁷ Consumer Federation of America, *Systemic Racism in Auto Insurance Exists and Must Be Addressed By Insurance Commissioners and Lawmakers*, June 17, 2020, available at https://consumerfed.org/press_release/systemic-racism-in-auto-insurance-exists-and-must-be-addressed-by-insurance-commissioners-and-lawmakers/.