Ranking Member Tim Scott (R-S.C.)
Opening Statement
Full Committee Hearing
April 27, 2023 at 10:00 AM

Thank you to the witnesses for being here with us this morning. Such a really important topic, one that we’ve worked on for the last five years of my time in the Senate, making sure that we have access to the best credit we can get based on someone being creditworthy.

I say that because I look back at my own family's history back to the 1920s and thirties when my grandfather was growing up in the Jim Crow South, where getting a loan had more to do with your relationships, not to do with your credit worthiness. And so when we move towards a model that allows people to access credit based on their relationships, it can sometimes lead to discrimination. But when we have an objective standard that is applied to everyone fairly and consistently, the nation is a better place. Accessing credit, accessing the American Dream through homeownership is more realistic based on your creditworthiness.

My story continues in a very similar direction as my grandfather’s did. In the 1990s when I was starting my small business, I went to a bank and had a conversation with a banker about assets versus liabilities, and at that point, my best asset was a 1990 [Nissan] 240SX that had 253,000 miles on it. Not necessarily the definition of an asset, but I tried to use it to borrow some money against it, and the bank rightly laughed me out of the bank.

But I did develop a relationship where we had an opportunity to look at my very light credit score. I didn't have much credit at all. And so that works against you when you're trying to start a new small business. And if you need a revolving line of credit, banks are less likely to loan against no assets—the ability to come back and forth to the same institution. So that is a challenge. But the more I worked with a banker to appreciate building that credit score, understanding the principles that are so important to American prosperity, I was able to achieve my goal of opening my first Allstate insurance agency with the help of a friend who put some money into the business as well as a bank that finally concluded that I was an appropriate risk.

That situation today manifests in different ways, in that the credit score now impacts your rates and your insurance business. And having been in the business of insurance, your auto insurance, your home insurance—not just your loans—are literally decided by your creditworthiness. And because of that, I think we have to do everything in our power to make sure that as we head towards and continue to make progress on our risk-based method, it takes the subjective nature out of lending that relied only on relationships, reputation, or word of mouth, and in turn created, in my opinion, a fairer, objective measure of creditworthiness, increasing access to credit, and frankly, making it more inclusive as well.

This is so important because with hard work and responsible financial decisions, anyone can develop and improve their credit score and obtain access to credit in a manner that represents their financial opportunity. Increasing taxpayer-backed risk in the housing market as this administration's economic policies push us toward a recession is anything other than “equitable.”

At the same time, the CFPB has the audacity to announce it's exploring new avenues of regulatory overreach on whole numbers of different issues, ranging from data privacy to late payment fees, despite the fact that the agency itself experienced a data breach exposing the information of more than 250,000 Americans and then [hid] that breach for several weeks. [It’s] so amazing how tirelessly this administration works to put dollars on the sidelines instead of in taxpayers’ pockets. I look forward to getting answers and holding Director Chopra responsible. At the end of the day, the data that lenders use becomes less secure, [and] less reliable and predictive. It will simply result in higher rates and fewer loans made to people at the margins of the credit box, people just like me. Yet another example of the Biden administration's policies hurting the people who can afford it the least.

However, there is good news. American innovation and free market competition are creating new avenues towards prosperity. As technology develops and lenders are able to use new or alternative sources of data to better predict the risk of default, “credit invisible” Americans will increasingly be able to participate in our financial markets, and that’s really good news. Common sense and technological innovation [have] the potential to bring an estimated 50 million Americans with thin or no credit files into the financial system and—a goal I have been working on, as I said at the beginning, for years.

My Credit Access and Inclusion Act, the Building Credit Access for Veterans Act, and finally, the Credit Score Competition Act, which was signed into law in 2018, are all designed to allow for the use of new, reliable, predictive data in our system. As we push forward with these improvements in technology and new sources of data, which are already showing promise at making our markets fairer and more accessible, we should also consider what guardrails may be needed to ensure responsible growth and consumer protection.

I look forward to hearing from the witnesses today on this really important topic and look forward to asking you some questions, as well.