

# SENATE BILL REPORT

## SB 5328

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As of January 26, 2005

**Title:** An act relating to restricting the use of personal credit histories and credit scores.

**Brief Description:** Restricting the use of personal credit histories and credit scores.

**Sponsors:** Senators Fairley and McAuliffe.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Consumer Protection: 1/26/05.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

**Staff:** Joanne Conrad (786-7472)

**Background:** The use of "credit scores," derived from a consumer's credit history, for business decision-making unrelated to credit-granting is controversial. Insurers, for example, are permitted by federal law to use credit scores as a factor in their analysis of what premium to charge a consumer. Many states, including Washington, have enacted laws limiting the use of credit scores for insurance.

Insurers claim that credit scores correlate to the probability that claims will be filed by the insured. They believe that the scores have scientifically-based predictive value. However, concerns continue to exist regarding the predictive value, and the issue of whether or not the use of credit scores has a disproportionate or discriminatory effect upon minorities is also the subject of research.

**Summary of Bill:** The use of credit histories or credit scores as a factor in decision making by insurers is prohibited in Washington State. The 2002 law allowing limited use of credit scoring in Washington is repealed.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.