



Americans for Financial Reform

To: Samantha Gorto,
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Pennsylvania House Insurance Committee
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Re: Support for HB 657

Date: 3/26/26

Americans for Financial Reform is pleased to submit this comment in support of HB 657, which would ban the use of credit scores to set homeowners insurance premiums in Pennsylvania. Credit scores have no connection to property-level risk and using them to charge an insurance premium penalty perpetuates racial discrimination and extracts wealth from households least able to afford it. Currently, Pennsylvanians with lower credit scores pay on average \$2,038 more per year for home insurance than policyholders with high credit scores, the highest credit score penalty in the country.¹

Home insurance is the most important buffer families can have in place to prevent financial hardship after a climate disaster. However, rising insurance costs are becoming a shock of their own to household financial stability: between 2020 and 2023, home insurance prices rose by an average of 33 percent.² Insurance companies have increased their rates due to a mix of factors including higher risks due to climate change, the rising cost to rebuild, inflation, and more.³ Virtually every corner of the country has been touched by rising insurance costs – a recent report by CFA found that 95 percent of zip codes experienced increases in insurance premiums since 2021.⁴

In all but three states, insurers are permitted to underwrite a home insurance policy and price those policies based on the homeowner’s credit characteristics. Lower credit score borrowers pay 30 percent more for homeowner’s insurance than households with similarly risky properties but who have better credit.⁵

While outside observers might assume that home insurance companies set rates solely or primarily by evaluating the risk profile of individual homes, it is often the homeowner’s credit characteristics that are the bigger driver of the price of homeowner’s insurance. As Federal Reserve researchers put it in a new report, insurers often price rates for “who is living in the house rather than the risk of the

¹ Birss, Moira et al, Climate and Community Project and Consumer Federation of America, “[Penalized: The Hidden Cost of Credit Score in Homeowners Insurance Premiums](#),” August 12, 2025.

² Keys, Benjamin and Phillip Mulder, “[Property Insurance and Disaster Risk: New Evidence from Mortgage Escrow Data](#),” Working Paper, June 2024.

³ Brennan, Rachael, U.S. News and World Report, “[Why Did My Homeowners Insurance Go Up?](#)” December 2, 2025.

⁴ Cornelissen, Sharon et al, Consumer Federation of America, “[Overburdened: The Dramatic Increase in Homeowners Insurance Premiums and its Impact on American Homeowners](#),” April 2025.

⁵ Blonz, Joshua et al, “[Pricing Protection: Credit Scores, Disaster Risk, and Home Insurance Affordability](#),” Working Paper, Nov 2024.

house.”⁶ In today’s insurance marketplace, households with lower credit scores are likely to pay more for their homeowner’s insurance. There is also a well-documented history of households of color having more limited access to homeowner’s insurance or paying more for coverage.⁷ These inequities are poised to deepen the disproportionate financial burden families of color are forced to bear as premiums rise and insurance becomes less available.

For the following reasons, we encourage the Pennsylvania House to ban the use of credit scores in home insurance:

1. Insurance is not a credit product

Credit scores are typically used by consumer financial companies to predict repayment. However, insurance companies do not need to project repayment, as an insurance company has nothing at stake if a consumer does not pay their insurance premium – it simply cancels the coverage. Some insurance companies have claimed that a homeowner’s credit score is correlated with how frequently they file a property insurance claim or how well a homeowner may care for their home. However, the data supporting these claims have not been independently reviewed,⁸ and insurance companies charge drastically different penalty amounts in different states for having a low credit score, ranging from small single-digit percentages to a 181 percent penalty in Pennsylvania.⁹

2. Credit-score-based pricing is especially unfair to lower-income households

Insurance companies’ use of credit scores to determine home insurance premiums disproportionately exposes lower-credit-score households to unaffordable insurance premiums without clearly demonstrating risk mitigation benefits for insurers. In some states, low credit score borrowers are paying insurance premiums equal to half or more of their mortgage payment.¹⁰ This uneven distribution puts households with fewer resources at greater risk of financial distress. Indeed, liquidity-constrained borrowers, those with less cash on hand, are significantly more likely to miss mortgage payments after an insurance premium increase.¹¹ With climate change increasing the physical risk to housing, extraction of additional wealth from lower wealth households makes it that much more difficult for them to afford to adapt and manage their risks and insurance costs.

3. Using credit scores perpetuates racial discrimination

Homeowners of color may also be at greater risk of experiencing insurance premium increases, regardless of their income. In an analysis conducted last year of 47 million observations of

⁶ Blonz, Joshua et al, “[Pricing Protection: Credit Scores, Disaster Risk, and Home Insurance Affordability](#),” February 2026.

⁷ Equitable and Just Insurance Initiative, “[States Must Strengthen Oversight of Homeowners Insurance Rate Increases](#),” February 2026.

⁸ Birnbaum, Birny, “[Insurers’ Use of Credit Scoring for Homeowners Insurance In Ohio A Report to the Ohio Civil Rights Commission](#),” January 2003.

⁹ Birss, *supra*, note 1.

¹⁰ Birss, *supra*, note 1.

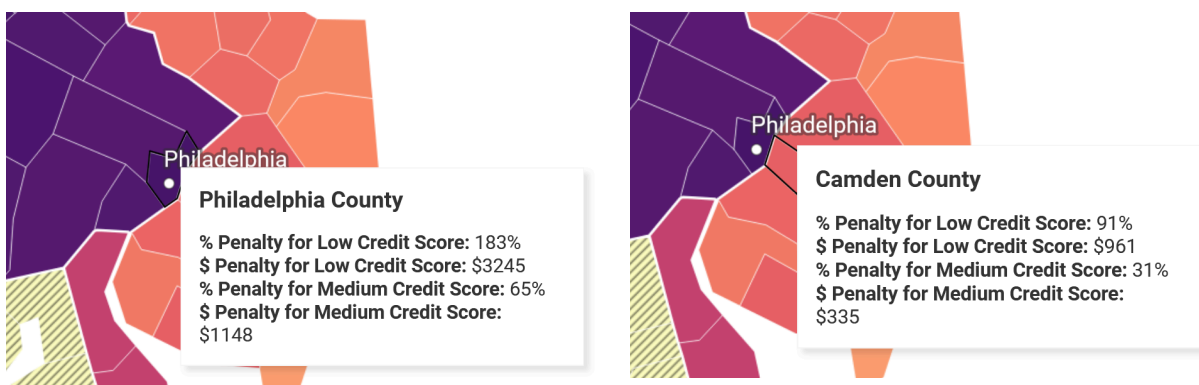
¹¹ Ge, Shan et al, Federal Reserve Bank of Dallas, “[Climate Risk, Insurance Premiums, and the Effects on Mortgage and Credit Outcomes](#),” Working Paper, January 2025.

household property insurance expenditures, researchers found that homeowners living in zip codes with larger nonwhite populations paid more for insurance relative to white homeowners, with similar disaster risk profiles.¹² While the researchers do not examine potential drivers of these price differences, these data sit within a robust historical context of reported racial disparities with regard to the pricing and availability of property insurance.¹³

While insurers are prohibited from underwriting borrowers based on race, there are proxy factors insurers may use when underwriting a policyholder that can disproportionately affect borrowers of color such as credit score or the age of their home. For example, the median credit score of a Black or Latine homeowner is lower than that of a white homeowner due largely to systemic racism and less engagement with larger financial institutions that would be more likely to report their positive payment history to credit reporting bureaus.¹⁴ It follows that the practice of using credit score to underwrite insurance policies, a major determinant of a policyholder’s insurance premium, could adversely affect Black and Latine homeowners in some communities. Indeed, several successful lawsuits have been filed by fair housing organizations against insurance companies for this practice and other underwriting practices that adversely affect consumers of color.¹⁵

4. Using credit scores is arbitrary and leads to unfair outcomes

Neighborhood to neighborhood, the penalty someone pays for having a lower credit score can vary wildly, but it can too for neighbors in the same area living 200 feet apart. People expect some differentiation in an insurance rate based on the property details, like age of a home, construction materials, and location. But often, the key factor is the credit score penalty for each state. Take Camden, New Jersey and Philadelphia, Pennsylvania for example—two cities, right next to each other.



¹² Keys, Benjamin and Phillip Mulder, “[Property Insurance and Disaster Risk: New Evidence from Mortgage Escrow Data](#),” Working Paper, June 2024.

¹³ Squires, Gregory, “[Insurance Redlining: Still Fact, Not Fiction](#),” *Shelterforce*, Jan 1995;

Squires, Gregory, Journal of Urban Affairs “[Racial Profiling, Insurance Style: Insurance Redlining And The Uneven Development Of Metropolitan Areas](#),” 2003.

¹⁴ Mehrotra, Aniket et al, Urban Institute, “[Evidence of Disparities in Access to Mortgage Credit](#),” March 2024.

¹⁵ See, e.g., *Housing Opportunities Made Equal of Virginia v. Nationwide*; *U.S. v. Nationwide Mutual Insurance Company*; and *National Fair Housing Alliance v. Travelers Indemnity Company*.

A homeowner in Philadelphia with a low credit score could pay as much as \$3,245 more to insure their home than someone across the river in Camden with the same low credit score who pays only a \$961 penalty.¹⁶ Meanwhile, someone just one hundred miles away in Baltimore, Maryland with a lower credit score pays zero penalty because Maryland has banned the discriminatory practice of using credit scores to price home insurance.

For these reasons, Pennsylvania should join Maryland, Massachusetts, and California and ban the use of credit scores to set insurance premiums through regulation or legislation.

¹⁶ Birss, *supra*, note 1.