



# The Use and Effect of Big Data:

## Presentation for National Fair Housing Alliance The Fair Housing Act at 50 Conference



Chi Chi Wu  
National Consumer Law Center  
June 11, 2018

# Credit Scores: The Original “Big Data”

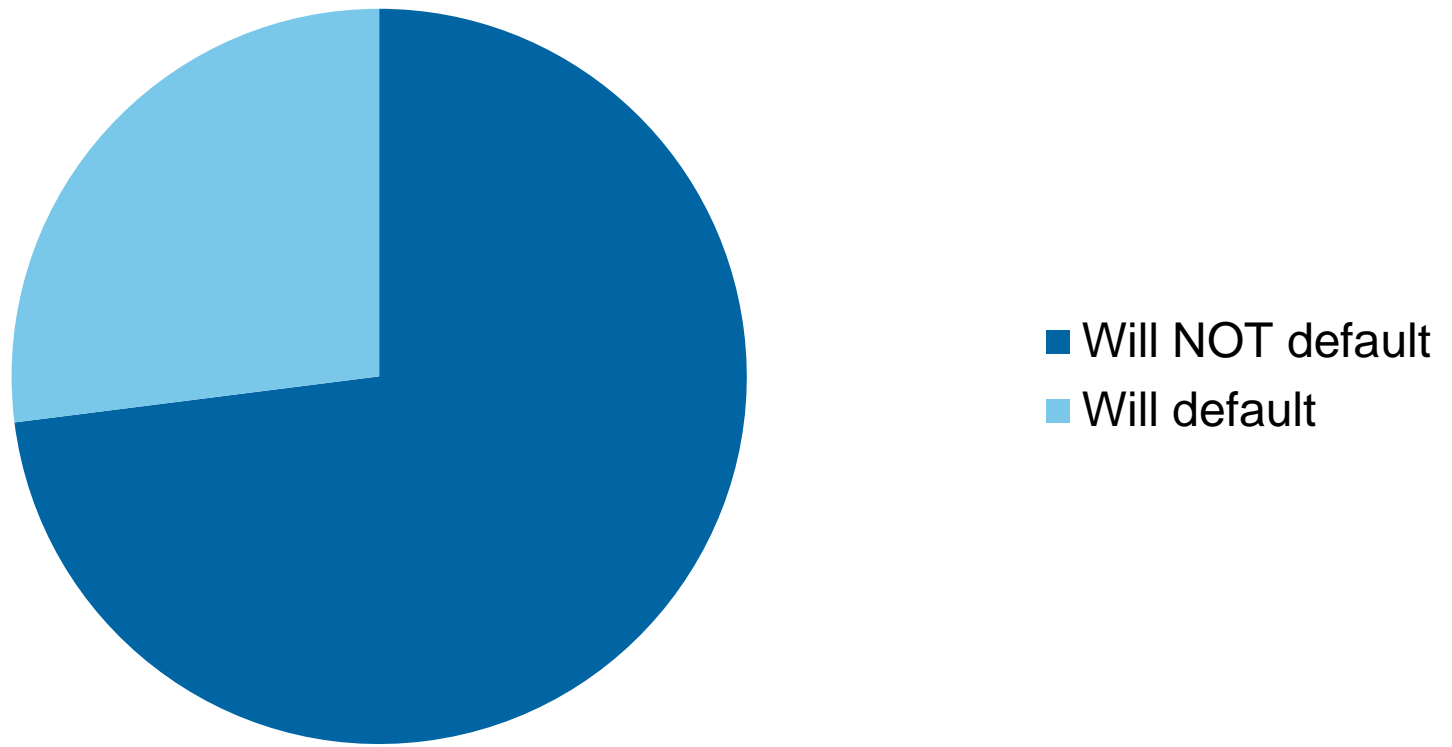
- Overly blunt

For more: [\*Solving the Credit Conundrum: Helping Consumers' Credit Records Impaired by the Foreclosure Crisis and Great Recession\*](#)

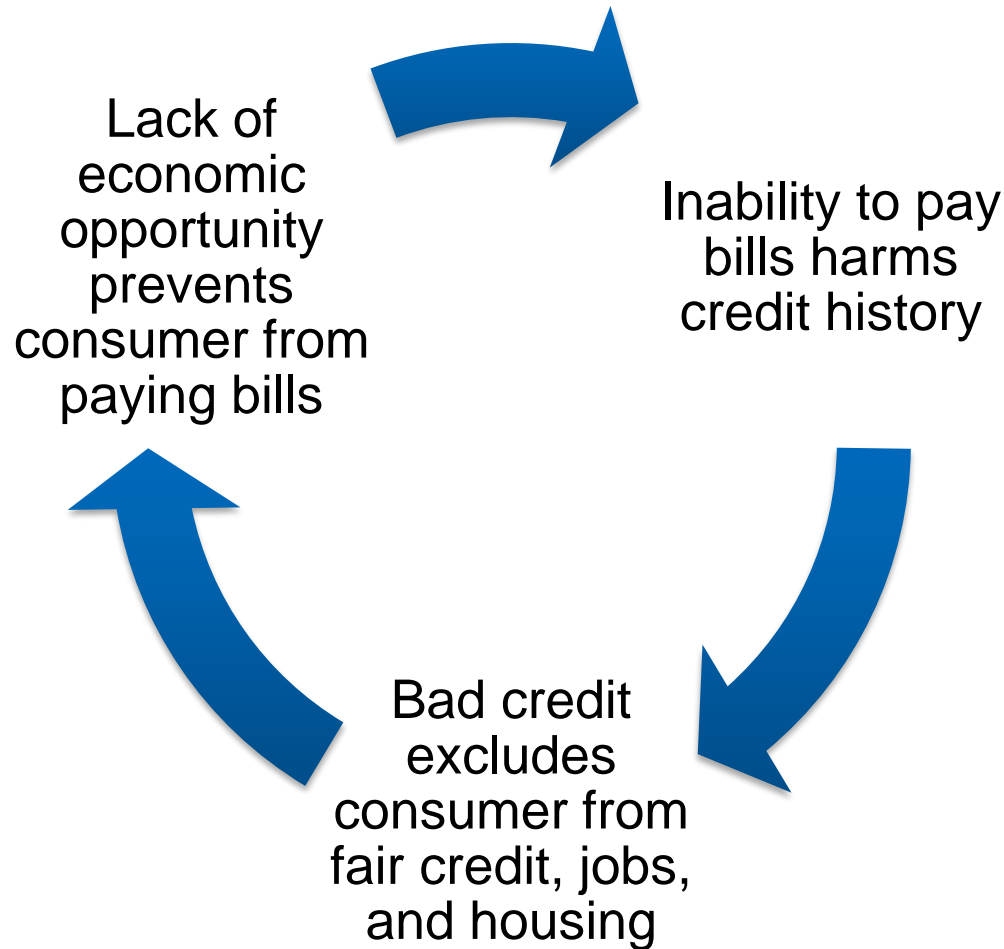
- “Vicious cycle” effect
- Racial disparities

# Overly Blunt

**Swedish study of consumers with negative credit information**



# Vicious Cycle of Financial Distress



# Studies showing racial disparities in credit scoring

Study	Conclusion
2012 Consumer Financial Protection Bureau	Median FICO score for majority minority areas was 34 vs. 52 for low minority areas
2010 Woodstock Institute	In zip codes over 80% African American, 54.2% had FICO score under 620. In mostly white zip codes, only 16.8% had scores under 620
2007 Federal Reserve Board	Mean score for African Americans was 25.6 versus 54.0 for whites – about half; Hispanics had mean of 38.2
2007 Federal Trade Commission	African Americans and Hispanics strongly over-represented in the lowest scoring categories
1996 Freddie Mac study	African-Americans 3 times as likely to have FICO scores below 620 as whites; Hispanics 2 times as likely

# But wait, there's more

## Other studies

2006 Brookings

2004 Federal Reserve researchers

2004 Harvard Joint Center for Housing Studies

2004 Texas Department of Insurance

Discussions of these studies and a complete list of citations is available in NCLC's Policy Brief: [\*Past Imperfect: How Credit Scores and Other Analytics 'Bake In' and Perpetuate Past Discrimination\*](#)

# Reasons

Lack of “Personal Responsibility”

or

Historical unlevel playing field



Racial wealth gap



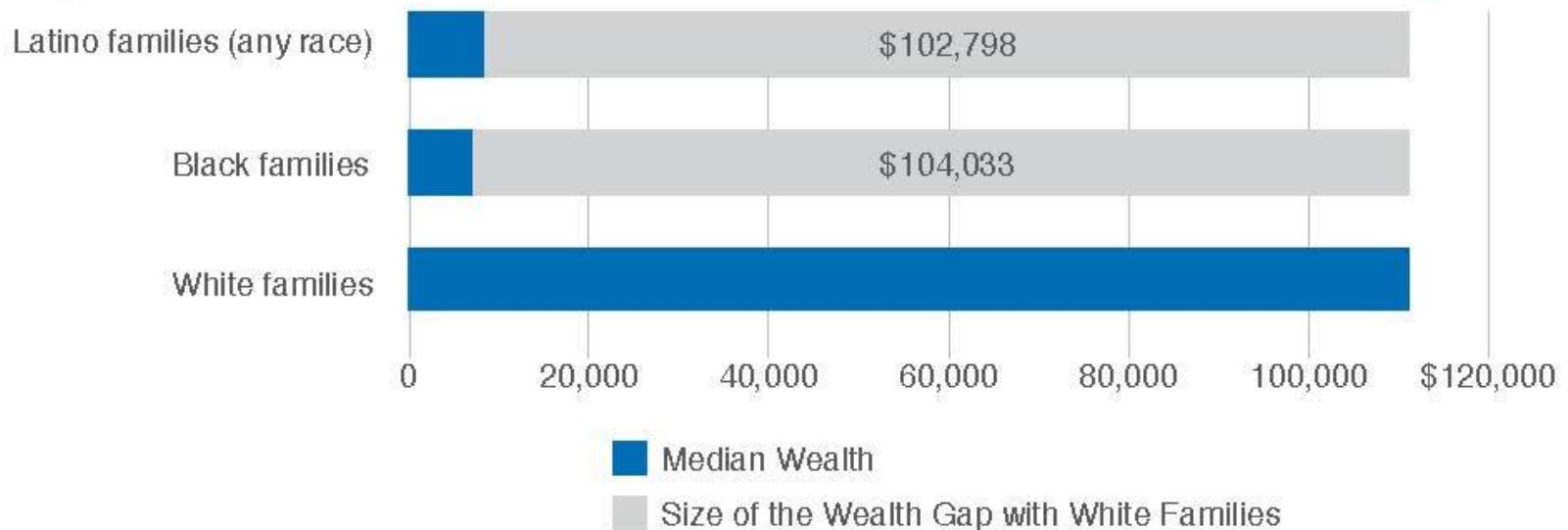
Vicious cycle nature of using the past as the key measure



# Racial Wealth Gap

*from Demos and Brandeis Institute on Assets and Social Policy*

**Figure 1. Wealth Accumulation and Size of the Racial Wealth Gap, 2011**





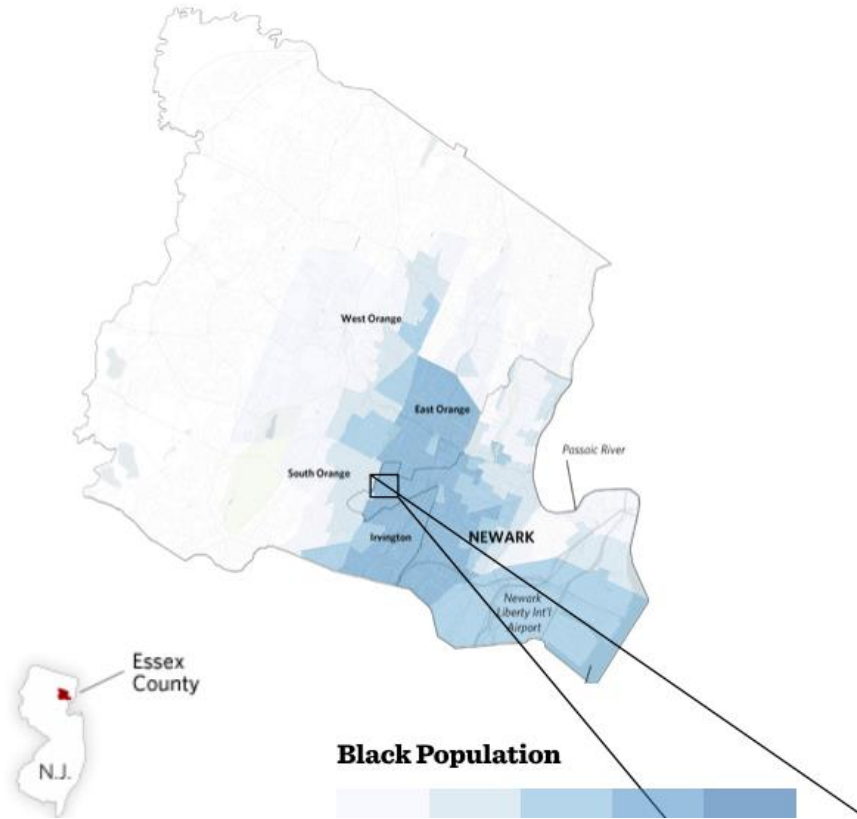
# How the Wealth Gap Plays Out: Racial Disparities in Debt Collection

- 71% of African American middle-income households called by bill collectors compared to 50% of white middle-income households despite similar rates of default and late payments
- In mostly black neighborhoods:
  - Rate of judgment 2X as high
  - 20% more likely to have plaintiff attempt garnishment

From [\*ProPublica, the Color of Debt, Oct. 8, 2015:\*](#)

ST. LOUIS CHICAGO **NEWARK**

JUDGMENT RATE **BLACK POPULATION**



## African American Population in Newark

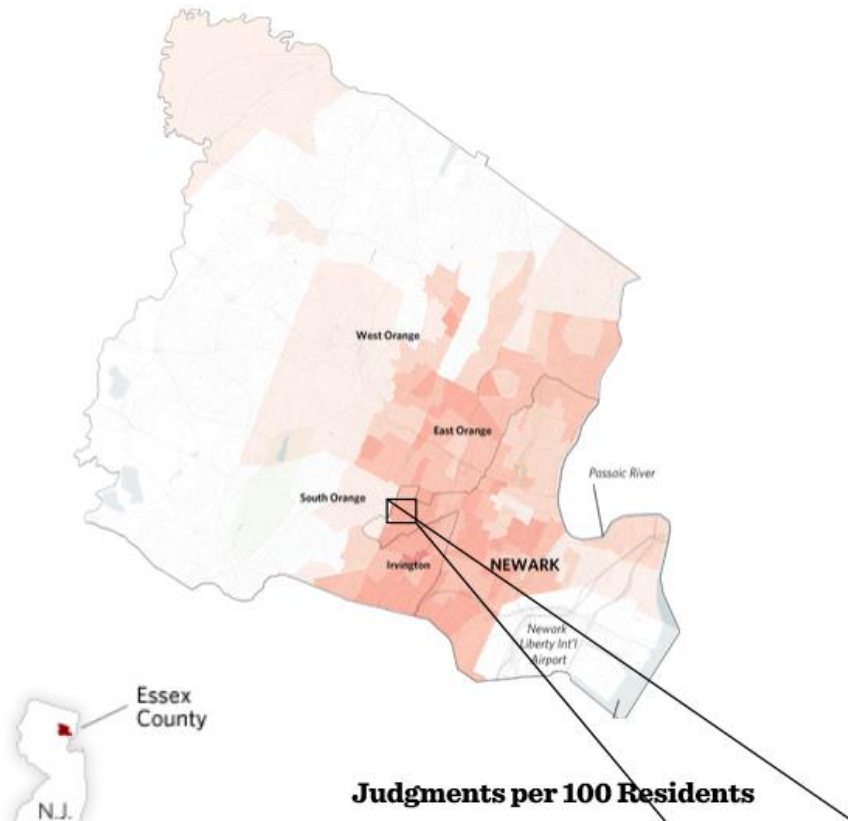
ST. LOUIS

CHICAGO

NEWARK

JUDGMENT RATE

BLACK POPULATION



## Judgment rate per 100 residents

# Structural racism is self-perpetuating

- “If we can agree that racialized wealth disparities are, in fact, unjust, then simply leaving these disparities alone to perpetuate themselves indefinitely is not an option. This is true regardless of whether there are currently racist policies creating wealth disparities, or whether the disparities, because of how wealth functions in a capitalist economy, are perpetuating themselves.”
  - “Structural Racialization”  
john a. powell

# Problems with Big Data

- Accuracy
- Not immune to systemic inequality



# How Do You Measure the Accuracy of Analyzing This?

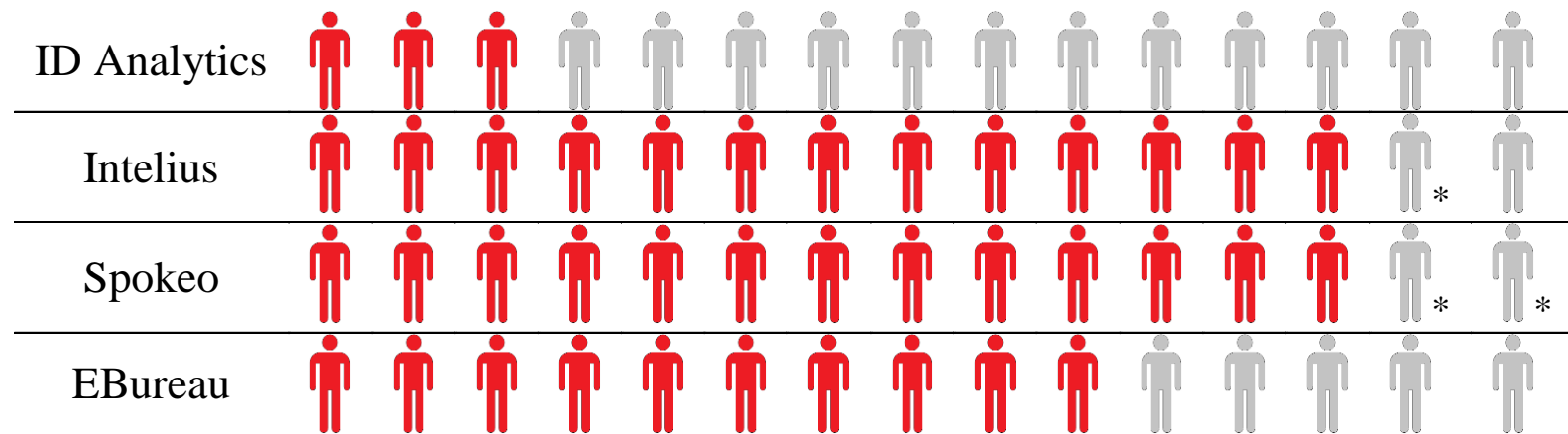
The screenshot shows a Facebook post by user Chi Chi Wu, shared 18 hours ago. The post text reads: "So Mick Mulvaney fired all the members of the Consumer Advisory Board today, and then when we objected, his spokesperson claimed 'The outspoken members of the Consumer Advisory Board seem more concerned about protecting their taxpayer funded junkets to Washington, D.C., and being wine and dined by the Bureau than protecting consumers,' Yeah, like I've spent the last 17 years working at as a consumer advocate to get free stays at the Hampton Inn in Northeast DC and economy airfare from Boston to DC (and they still owe me \$266 for the plane ticket for the cancelled Fed meeting). And I've always paid for my own damn wine per Bureau policy". Below the text is a video thumbnail of Mick Mulvaney. The video title is "Mulvaney deepens feud with consumer advocates after board shutdown" from THEHILL.COM. The right sidebar shows "People You May Know" with a redacted name, "Suggested Pages" including "Public Justice" and "Center To Support Immigrant Organizing", and language options. The bottom of the browser shows the Windows taskbar with various application icons.



# Accuracy

- “There’s a lot of crappy data out there”

## Study Participants with Incorrect Information in Their Data Reports



(sample of 15 consumers)

From: [Big Data, a Big Disappointment for Scoring Consumer Creditworthiness](#), March 2014



# Legal Considerations

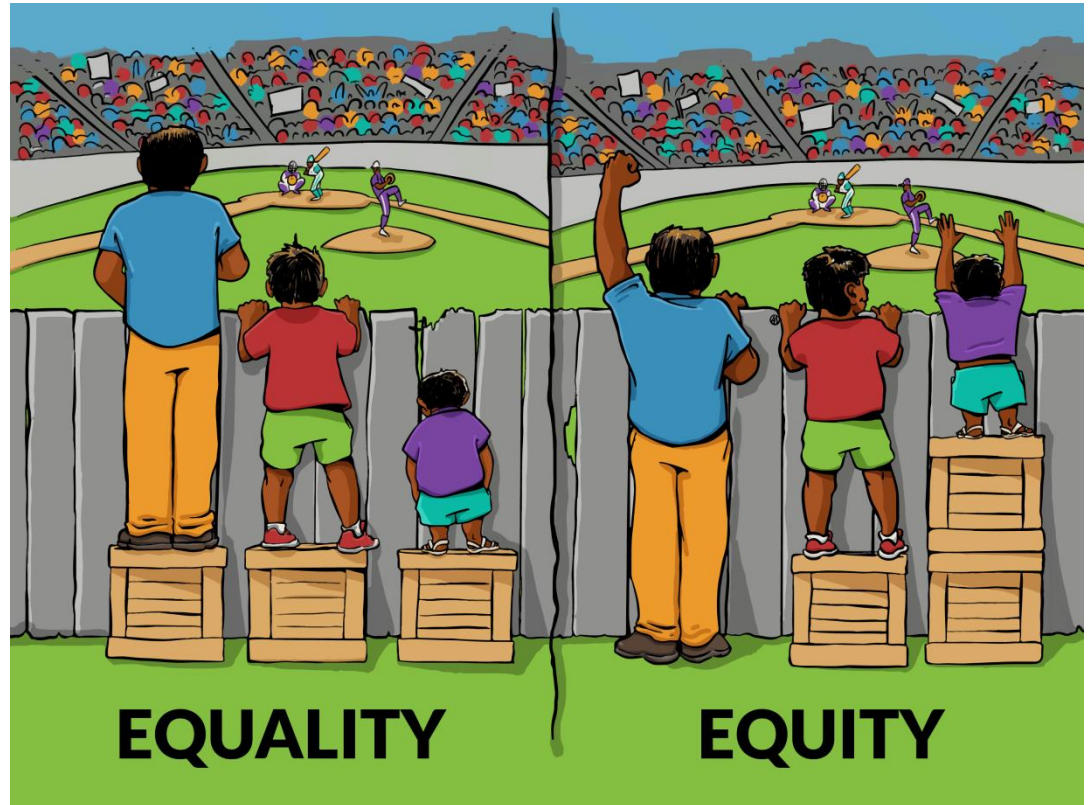
- Equal Credit Opportunity Act
  - Many indicators will be reflective of the structural racism
  - Disparate Impact Analysis
    - Policy that has disparate impact
    - Legitimate Business Need
      - What is the legitimate need if the type of data has not proven to be predictive?
    - Need new ways of analysis, the “less discriminatory alternative” – that is another role for Big Data





**“In order to get beyond racism, we must first take account of race. There is no other way.”**

- Justice Harry Blackmun,  
University of California  
Regents v. Bakke, 438 U.S.  
265 (1978)



Interaction Institute for Social Change | Artist:  
Angus Maguire

# NCLC FCRA Manual

