

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Insurance, Securities and Banking



Fiscal Years 2022-2023
Performance Oversight Hearing

Testimony of

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Commissioner

Department of Insurance, Securities and Banking

Before the

Committee on Business and Economic Development

Councilmember Kenyan McDuffie, Chairperson

Council of the District of Columbia

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Virtual Meeting Platform

Good morning, Chairperson McDuffie, Committee members, staff, and District residents. I am Karima Woods, Commissioner of the Department of Insurance, Securities and Banking (DISB). On behalf of Mayor Muriel Bowser, I appreciate the opportunity to testify today on the Department's significant accomplishments during Fiscal Years 2022 and 2023, to date.

The Department regulates the insurance, securities, banking, and other financial services in the District of Columbia. Our mission is three-fold: (1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District; (2) empower and educate residents on financial matters; and (3) provide financing for small businesses. We accomplish this by effectively regulating the District's financial services industry to ensure District residents have access to a wide array of financial services, products and providers. We also work to sustain a District business climate that encourages fair and open competition.

Delivering on our Regulatory Mandate

Making sure that insurance is equitable, accessible, and affordable is one of the Department's core priorities. Our annual review of individual and small business health insurance rates for 2023 resulted in savings of more than \$17 million for District residents. In FY 2022, the Department initiated a first-in-the-country review of auto insurers use of algorithms in ratemaking and underwriting to determine if their practices result in unintentional bias against protected classes. We have engaged the services of a well-known data scientist and are proceeding in a deliberate and transparent manner to address this complex topic. The Department has asked all interested stakeholders to provide comments and questions regarding the data call and will send it to insurers this month.

Also, the Department successfully oversaw the establishment of the DC Health Equity

Committee, which is charged with disbursing the \$95 million settlement proceeds with CareFirst because of the Department's 2011 surplus review of the company. These funds are being used to address healthcare disparities for historically underserved residents. In October 2022, the Health Equity Fund awarded \$9.2 million to 32 District-based nonprofit organizations. The Health Equity Committee, which oversees the fund, is currently working on the next round of funds, which are tentatively scheduled to be awarded in May of this year.

Protecting Residents from Financial Fraud and Scams

One of the Department's other primary responsibilities is protecting consumers from fraud, scams, and unfair or illegal practices. We meet these responsibilities through our compliance, consumer protection, enforcement, and investigation activities. In FY 2022, the Department investigated and addressed 68 fraud related cases. The Department was also involved in several multi-state cryptocurrency investigations and enforcement action that resulted in a \$1 million settlement with crypto lending platform Block Fi.

Resolving consumer complaints is another way in which we fulfill our consumer protection responsibilities. In FY 2022, the Department resolved more than 750 consumer complaints and returned \$1.6 million to consumers.

Foreclosure Prevention and Mediation

Additionally, the Department continues its foreclosure prevention efforts to assist homeowners in keeping their homes. In FY 2022, DISB's Foreclosure Prevention and Mediation Program was successful in helping 27 homeowners obtain relief under the COVID-19 forbearance programs, and ~~and~~ 49 homeowners received modifications from their lenders. Our efforts resulted in saving \$53.5 million in property value, with an additional \$4.8 million saved in Q1 of FY23.

The

Department also contracted with Housing Counseling Services to conduct community outreach

regarding foreclosure prevention services social media posts, radio ads, and virtual outreach events. The Department also assisted our sister agency, the Department of Housing and Community Development, in standing up the Homeowner Assistance Fund (HAF), an ARPA funded program that provides grants to paymortgage or other property payments to preserve homeownership and aid in wealth-building for District residents.

Student Loan Ombudsman

The Department's Student Loan Ombudsman led the District's effort in collaborating with the U.S. Department of Education, other District government agencies, the Office of Attorney General, and the Student Borrower Protection Center to provide 29 virtual and in person workshops about the Temporary Public Service Loan Forgiveness Waiver Program process that reached 4,055 residents. In addition, the Ombudsman's office received, and responded to 12,351 email requests for help related to loan forgiveness, a 60 percent increase from the previous fiscal year.

In FY 2022, the Ombudsman direct assistance to District residents resulted in the discharge of \$1,050,934 of student loan debt, a 398% increase over the prior fiscal year.

Greater Equity through Financial Education and Empowerment

As you know, providing equitable and inclusive access to financial products and services is an ongoing priority for Mayor Bowser. The Department has proactively integrated diversity, equity, and inclusion into its programs and services to provide a fair shot for all District residents.

Through the Department's Office of Financial Empowerment and Education (OFEE), we provided financial empowerment programs such as the *Opportunity Accounts Program*, *Bank on DC*, and *Financially Fit DC*. In FY 2022 and FY 2023 to date, the *Bank on DC* Program engaged with workforce development programs to connect residents to safe and

affordable banking products and services and reduced the number of unbanked District residents from 8% to 4%. The *Bankon DC* Program continues to connect residents to safe and affordable checking and savings accounts and has helped more than 10,000 residents expand their personal financial knowledge.

Moreover, The *DC Opportunity Accounts Program* is a 4:1 matched savings program that helps qualified District residents pay for a variety of expenses, including education, first-time home purchases, small business development, retirement, and medical care. Through this program we empowered 600 residents to save \$3 million—that includes their savings contribution and the matched funds. Through the support of the American Rescue Plan Act (ARPA), the Department ~~will~~ received additional funding to expand the program, which will help more District residents achieve their savings goals.

Furthermore, in FY 2022, we awarded a contract to the United Planning Organization to manage our ~~new~~ Financial Empowerment Center (FEC) in Ward 8. The FEC provides low-to-moderate- income residents with one-on-one counseling to help build and protect assets, address financial ~~challenges~~ and plan for a viable financial future. Trained counselors engage residents with our full portfolio of asset-building programs. I am proud to also mention that toward the end of FY 2022, OFEE, through the FEC, expanded its focus with one-on-one financial counseling for returning citizens designed to

help reduce recidivism.

Helping Our Small Businesses Grow

Finally, I would like to note that The Department remains laser focused on supporting the Mayor's Comeback Plan, which reflects the city's five-year economic development strategy for residents' economic mobility and small business growth and expansion.

Through the Department's District of Columbia Business Capital Access Program (DC BizCAP), we provide necessary capital to District small business owners and entrepreneurs, including those who are Certified Business Enterprises, and minority- and woman-owned. DC BizCAP provides support in the form of loan collateral or subsidized interest rates. In FY 2022, the Department provided more than \$4.4 million in funding to nine District small businesses,

which included local retailers, developers, information technology companies, and architects. For example, the Spice Suite, received \$472,000 from City First Enterprise to finance renovations to its new location (Black and Forth). In FY 2022 alone, BizCAP support helped create 91 jobs. Since its inception, the program has created more than 2,000 jobs.

In FY 2023, DC BizCAP will focus on expanding our current programming and forming relationships with Community Development Financial Institutions (CDFIs) to assist in deploying funds to the socially and economically disadvantaged (SEDI) business. This includes minority- and women-owned companies, businesses with less than 10 employees, and businesses in specific CDFI zones.

Conclusion

In closing, as the District continues to work towards its comeback, DISB remains firm in our commitment to equitable access to high quality financial services in insurance, securities, and banking; consumer protection; financial empowerment and education; and the growth of our small businesses. I would like to thank you, Chairperson McDuffie, for your leadership and support. I appreciate the opportunity to share DISB's accomplishments and look forward to continuing to work with the Committee. This concludes my testimony. I am happy to answer your questions at this time.