



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 262
Consumer Protection – Consumer Reporting Agencies – Information in
Consumer Credit Reports

This legislation conforms parts of the Maryland Consumer Credit Reporting Act to federal law with respect to exemptions from prohibitions on including obsolete information in credit reports.

The Fair Credit Reporting Act (FCRA)—a federal law enacted in 1970 to regulate the collection, dissemination, and use of consumer credit information—includes provisions that govern the reporting of obsolete information in credit reports. Specifically, the FCRA imposes time limits on how long certain negative information, such as late payments and bankruptcies, can be included in a consumer's credit report. These time limits are essential to ensure that consumers are not unduly burdened by outdated information and that credit reports accurately reflect an individual's current financial status.

The FCRA specifies that consumer reporting agencies are prohibited from including certain obsolete, adverse information older than 7 years (including old liens, judgements, etc.) in consumer reports. Maryland's Consumer Credit Reporting Act, which is largely modeled after the FCRA, contains those same prohibitions.

The FCRA contains three exemptions to the prohibitions on reporting obsolete information. Consumer credit reports can still include old information when a report is used in connection with:¹

- 1) credit transactions with principal amounts larger than \$150,000 (e.g. a mortgage);
- 2) life insurance policies larger than \$150,000; and
- 3) job applications involving jobs with salaries over \$75,000.

Previously, the federal dollar thresholds had been lower: \$50,000 for the credit and life insurance provisions and \$20,000 for job salary. Congress amended the FCRA in 1996 to increase these thresholds to better reflect the rising cost of living. For instance, the median mortgage in the 1970s—when the federal law was first enacted—was roughly \$50,000 and by 1996 had grown to \$150,000.

Maryland state law was never updated to remain in alignment with federal law with respect to these thresholds. Maryland's Consumer Credit Reporting Act remains at the same dollar

¹ 15 U.S. Code § 1681c(b) <https://www.law.cornell.edu/uscode/text/15/1681c>

thresholds that were first enacted in 1976 and were not updated to conform with the increases that were enacted by Congress in 1996. This discrepancy between federal law and state law puts Marylanders at heightened risk of being rejected when applying for jobs, mortgages, small business loans, and other forms of credit.

Only five other states continue to use the original consumer reporting thresholds.²

HB 262 would match the thresholds in state law to the current federal thresholds and in so doing promote consistency, transparency, and fairness within our state's consumer credit reporting framework. The FCRA is a carefully balanced framework that governs the free, fair, and accurate flow of consumer data in our economy. It is important that state law is updated to conform with it to provide the same level of protection for consumers from being rejected from employment, housing, business loans, and other forms of credit when outdated information is included in their credit reports.

Notably, because this bill simply harmonizes state law with federal law, this bill poses no federal preemption concerns.

² Kansas, New Hampshire, and Washington use all three of the 1970 federal thresholds; New York has a slightly higher exemption threshold for salaries; Massachusetts uses two of the 1970 federal thresholds but has no exemption for employment.