



Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
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**Testimony to the Senate Finance Committee
SB 41 – Consumer Protection – Consumer Reporting Agencies –
Information on Consumer Credit Reports
Position: Favorable**

Jan. 31, 2024

The Honorable Pam Beidle
Senate Finance Committee
3 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Senate Finance Committee

Honorable Chair Beidle and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a nonprofit group that works to safeguard Maryland consumers and for safety, transparency and fair treatment for Maryland drivers and car buyers.

We support **SB 41** because it will modernize Maryland's credit reporting rules, make them consistent with federal rules, and give consumers some additional protections against the use of quite dated information in credit reporting.

The bill would significantly raise the threshold levels above which consumer reporting agencies are exempt from the general prohibition against using information that is more than seven years old under MD law in mortgage lending (from \$50K to \$150K), life insurance transactions (also from \$50K to \$150K), and (most importantly, I think) in hiring decisions (from allowing the use of older credit data for jobs paying more than \$20K to those paying more than \$75K).

The use of credit reporting in hiring and pay decisions, in particular, has long been controversial. That's in part because it's often hard to see what a person's credit history has to do with their ability to do most jobs. But also because using credit records that way can make it difficult for low-income people who have struggled to pay their bills or people whose credit records have suffered a reversal as a result of a layoff or illness or other misfortune to get the jobs they need.

The high frequency of mistakes in consumers' credit reports makes the use of those reports in hiring and other decisions even more problematic. In a 2021 Consumer Reports survey of 6,000 people who reviewed their own credit reports, 34% reported finding misinformation in their reports and 29% reported inaccuracies in their basic personal information.¹ A 2012 FTC study found that

¹ <https://www.consumerreports.org/media-room/press-releases/2021/06/consumer-reports-investigation-finds-more-than-one-third-of-consumers-found-errors-in-their-credit-reports/>



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21% of consumers had verifiable errors in their reports and 5% of consumers had errors so serious that they put them in a higher risk tier than they should have been rated.²

Now older credit information is likely to be even more subject to errors or mistaken identity issues (i.e., confusion of one consumer with another, a frequent source of errors on credit reports) than more current reports. So the information in question here (credit issues from more than seven years ago) is likely to be both unreliable and of limited relevance to a consumer's current behavior.

To be fair, Maryland has sharply limited the ways a credit record can be used in job and pay decisions. But Maryland's 2011 Job Applicant Fairness Act does allow credit information to be used in hiring for certain categories of jobs or in cases where a business has a "bonafide reason" for using the information. And the concerns often cited as that kind of reason – such as access to confidential information, proprietary techniques, or collecting debts for a company -- are broad enough that they would impact many people in middle-income positions.³

Since the pay for some of those positions would fall below the \$75K cap this bill would establish for the use of older credit information but above the current threshold of \$20K, one of the key impacts of this bill would be to make it illegal under MD law (as well as federal law) to use old, not very reliable information about credit concerns against applicants for these jobs.

At the same time, the bill would give consumers additional protections under MD law against the use of such dated and unreliable credit information in some lending and life insurance decisions.

Consumer Auto supports SB 41 and urges a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto

² <https://www.ftc.gov/news-events/news/press-releases/2013/02/ftc-study-five-percent-consumers-had-errors-their-credit-reports-could-result-less-favorable-terms>

³ See Maryland DLLR guide to the law here: <https://www.dllr.state.md.us/labor/wages/essjobappfairness.shtml>