

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 1193

(Delegates Bobo and McIntosh)

Commerce and Government Matters

Finance

Credit Regulation - Credit Services Businesses

This bill prohibits a credit services business, its employees, and its independent contractors from assisting a consumer to obtain an extension of credit at an interest rate which, except for federal preemption, would be prohibited under the State's consumer credit provisions.

The bill is effective June 1, 2002.

Fiscal Summary

State Effect: Enforcement of the bill's prohibitions could be handled with the existing resources of the Division of Financial Regulation.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: Credit services businesses must obtain licenses from the Commissioner of Financial Regulation. A credit services business, its employees, and its independent contractors may not: (1) receive payment for referring a customer to a credit grantor who will or may extend credit to the consumer if the credit is extended on substantially the same terms as those available to the general public; (2) make, or assist or advise a consumer to make, false statements connected with a credit application; (3) make or use false or misleading representations in offering or selling its services; (4) engage in an act,

practice, or course of business that operates as a fraud or deception in connection with offering or selling its services; (5) accept payment before rendering full and complete performance of the contracted services; or (6) create or assist a consumer in creating a new consumer credit report by obtaining and using a different name, address, telephone number, Social Security number, or employer tax identification number.

Chapter 630 of 2001 added to this list of prohibitions. Under Chapter 630, a credit services business, its employees, and its independent contractors may not assist a consumer to obtain an extension of unsecured closed end credit at an interest rate which, except for federal preemption, would be prohibited under the State's consumer credit provisions, including transactions in which a payment instrument is held to ensure payment.

Background: A credit services business is a person who, with respect to the extension of credit by others, represents that the person can or will, in exchange for payment: (1) improve a consumer's credit record, history, or rating or establish a new credit file or record; (2) obtain an extension of credit for a consumer; or (3) provide advice or assistance to a consumer about: (a) improving the consumer's credit record, history, or rating; (b) establishing a new credit file or record; or (c) obtaining an extension of credit.

Under Maryland law, the maximum permissible annual interest rate for small loans (under \$6,000) varies with the amount of the loan, up to 33%. However, under federal law, a federally insured depository institution, whether federal or state-chartered, may charge the interest rate permitted in its home state to borrowers across state lines, regardless of the legal rate in the borrower's state.

Small Business Effect: Small credit services businesses could experience a reduction in revenues to the extent they currently participate in the type of transactions prohibited under the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2002
ncs/cer Revised - House Third Reader - March 28, 2002

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