Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 327 (Senator Stone)
Finance

Commercial Law - Consumer Reporting Agencies - Credit Scores

This bill requires a consumer reporting agency to provide a consumer, upon request: (1) a copy of the consumer's current or most recent "credit score;" (2) the ranges of possible credit scores under the model used; (3) the key factors in the credit scoring model used and the factors' weight in developing the score; (4) the date the score was created; (5) the name of the reporting agency that provided the score or credit file on which the score was based; and (6) a statement indicating that the information and model used may be different from that used by a user of the credit score. The bill also requires that the score provided be the same credit score most widely distributed by the credit reporting agency to a user of the credit score. A reporting agency may not charge a fee for providing the required information for the first report requested during a 12-month period. A reporting agency may charge a fee of up to $5 for subsequent reports during the 12-month period.

Fiscal Summary

State Effect: Enforcement could be handled with the existing budgeted resources of the Commissioner of Financial Regulation.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A consumer reporting agency must provide a consumer with a copy of the consumer's credit report upon request of the consumer. The report must be provided without a fee one time during a 12-month period. The reporting agency may charge a fee of up to $5 for subsequent reports during the 12-month period. Neither State law nor the federal Fair Credit Reporting Act requires a consumer reporting agency to provide a consumer with a copy of the consumer's credit score.

Background: Fair, Isaacs, and Company provides the three major credit reporting bureaus, Experian, Trans Union, and Equifax, with a credit score formula. The bureaus use the formula to generate numerical credit scores, which are commonly known as FICO scores. Lenders, in turn, use either these scores or their own scores based on the same information in determining whether, and at what rate, to extend credit to a loan applicant. The scores are based on differing information, including a loan applicant's payment history, total potential debt, and outstanding balances on extensions of credit. A credit score is expressed as a three-digit number (generally ranging from 300 to 850). Lenders generally assume that a higher score means a lower credit risk and, therefore, offer better loan rates for customers with higher scores. An individual may obtain a copy of his or her FICO score through the Internet. Most web sites charge a fee for this service.

Additional Information

Prior Introductions: A similar bill, HB 517, was introduced in the 2002 session. The bill was heard in the House Commerce and Government Matters Committee but was not reported to the floor.

Cross File: HB 226 (Delegate Menes, *et al.*) – Economic Matters.

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

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ncs/jr

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