

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1501 (Delegate Moe)
Economic Matters

Consumer Protection - Credit Card Issuers - Required Disclosure

This bill requires an issuer of a credit card to disclose, under the Maryland Consumer Protection Act, that the processing of a consumer's credit card application may affect the consumer's credit score. The disclosure must be in writing on an application form and in person if the issuer or the issuer's employee offers a credit card to a consumer in person.

Fiscal Summary

State Effect: Assuming that the Consumer Protection Division receives fewer than 50 complaints per year stemming from this bill, any additional workload could be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Violation of the Maryland Consumer Protection Act is an unfair or deceptive trade practice. The Consumer Protection Division in the Office of the Attorney General is responsible for pursuing unfair or deceptive trade practice claims under the Act. The division may attempt conciliation, issue cease and desist orders, or seek action in court, including an injunction, to enforce the Act. Violators of the Act are also subject to criminal and civil penalties.

Background: When a credit card issuer processes an application, it makes a "credit inquiry" about the applicant. A credit inquiry is an item on a credit report that shows a

business with a “permissible purpose” (as defined under the federal Fair Credit Reporting Act) has previously requested a copy of the report. When an individual applies for a mortgage, auto loan, credit card, or other credit, the individual authorizes the lender to request a copy of the individual’s credit report. These types of inquiries appear on an individual’s credit report and are included in computing the individual’s credit score, which is used to assess an individual’s credit worthiness.

An individual’s own credit report requests, credit checks made by businesses to offer unsolicited goods or services, or inquiries made by businesses with whom an individual already has a credit account do not count toward one’s credit score. Credit checks by prospective employers also do not count. These types of inquiries may appear on an individual’s credit report, but they are not included in computing one’s score.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division),
Department of Legislative Services

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mh/mdr

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510