

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 234

(Senators Stone and Brochin)

Finance

Commercial Law – Electronic Check Conversion Payments – Notice and Consent

This bill prohibits a person that accepts a check from a consumer as payment for consumer goods or services from using the check to make an “electronic check conversion” unless: (1) the person gives the consumer written notice containing specified information; and (2) the consumer consents by signing the written notice. The bill authorizes the Attorney General to initiate civil actions against violators and to recover a civil penalty for the State of up to \$25 for each violation. Each prohibited electronic check conversion payment is a separate violation. Under the bill, an electronic check conversion is a process in which the routing, account, and serial numbers on a check are used to initiate a one-time transfer of funds electronically from a demand deposit, savings, or other account held by a financial institution.

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. Revenues from civil penalties under the bill cannot be accurately estimated, but are expected to be minimal.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Electronic check conversions are not regulated by the State.

Background: In a typical transaction involving an electronic check conversion, an individual writes a check and mails it to pay a bill. The business that receives the check uses it to obtain the writer's check number, account number, routing number, and financial institution. The information is then used to make a one-time electronic payment from the account, rather than routing the check through the Federal Reserve's check-processing system. The check, itself, in such a transaction is not the method of payment. These transactions are authorized under federal law and regulation. Under federal law and regulation, a business must notify to the consumer that such a transaction will occur.

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

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mam/mdr

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