

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 879
 Finance

(Senator Gladden)

Consumer Protection - Consumer Reporting Agencies - Restriction on Furnishing Information

This bill prohibits a consumer reporting agency, if it receives written notice from a consumer restricting the transfer of information in the consumer’s file, from furnishing information in the file for a six-month period to a person the agency has reason to believe intends to use the information in connection with the extension of credit to the consumer. The consumer may authorize the release of the information during the six-month period by providing written notice to the consumer reporting agency. At the end of the six-month period, the consumer may renew the restriction for an additional six-month period by providing written notice to the consumer reporting agency.

Fiscal Summary

State Effect: General fund expenditures could increase by approximately \$92,800 in FY 2006 to cover the cost of investigating an increase in complaints by the Commissioner of Financial Regulation. Future year expenditures reflect annualization and inflation. Revenues would not be affected.

| (in dollars) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|----------------|------------|-------------|-------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 92,800 | 113,900 | 120,600 | 131,800 | 135,600 |
| Net Effect | (\$92,800) | (\$113,900) | (\$120,600) | (\$131,800) | (\$135,600) |

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A consumer reporting agency may furnish a consumer report only in response to a court order, in accordance with the consumer's written instructions, or to a person that the agency has reason to believe: (1) intends to use the information in connection with a credit transaction involving the extension of credit to, or review or collection of an account of, the consumer who is the subject of the report; (2) intends to use the information for employment purposes; (3) intends to use the information in connection with underwriting insurance involving the consumer; (4) intends to use the information in connection with determining eligibility for a license or other government benefit required to consider an applicant's financial responsibility; or (5) otherwise has a legitimate business need for the information in connection with a business transaction involving the consumer.

If the consumer reporting agency receives written notice from a consumer restricting the sale or other transfer of information in the consumer's file, the agency may not sell, offer to sell, or furnish information in the consumer's file to a mail-service organization, a marketing firm, or any other similar organization.

After receiving a written complaint from a consumer about a consumer reporting agency, the commissioner may inspect the books, records, letters, and contracts of a consumer reporting agency and of any person who has furnished information to the agency relating to the complaint. The commissioner may then hold a hearing, subpoena witnesses, administer oaths, issue orders, and impose civil penalties on consumer reporting agencies that have violated the State's laws governing reporting agencies.

Background: 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, 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.

State Expenditures: The Division of Financial Regulation handles approximately 3,600 complaints annually concerning regulated entities with a staff of seven financial

examiners. Of the complaints, approximately 900 concern credit reporting. The division anticipates that the bill could result in an additional 600 to 700 complaints annually concerning credit reporting. Based on this, general fund expenditures could increase by an estimated \$92,800 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring two financial examiners to handle the additional complaints received as a result of the bill. It includes salaries, fringe benefits, one-time start-up costs, examiner travel, and ongoing operating expenses

| | |
|-----------------------------------------|-----------------|
| Salaries and Fringe Benefits | \$79,902 |
| Examiner Travel | 2,625 |
| Other Operating Expenses | <u>10,273</u> |
| Total FY 2006 State Expenditures | \$92,800 |

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; and (3) replacement of the examiners' computers in fiscal 2009.

Additional Information

Prior Introductions: A similar bill, SB 932 of 2004, received an unfavorable report from the Senate Finance Committee.

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 - March 18, 2005
mp/jr

Analysis by: T. Ryan Wilson

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