

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

Senate Bill 1020 (Senator Muse)
 Finance

Credit Regulation - Inquiries About Consumer Reports - Credit Score Calculation

This bill prohibits a consumer reporting agency from considering any inquiries made about a consumer's consumer report (sometimes referred to as a credit report) in the calculation of a consumer's credit score.

Fiscal Summary

State Effect: General fund expenditures could increase by approximately \$44,100 in FY 2008 to process and investigate complaints. Future years reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	44,100	53,500	56,300	61,300	62,500
Net Effect	(\$44,100)	(\$53,500)	(\$56,300)	(\$61,300)	(\$62,500)

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's use of multiple inquiries in its credit scoring model is not specifically regulated.

Background: Generally, consumer reporting agencies and others that generate credit scores count multiple inquiries of a similar type as a single inquiry for purposes of a credit score to allow a consumer to shop for financing with more than one lender. For example, a consumer reporting agency may count any inquiry regarding a car loan within a 14-day period as one inquiry or any inquiry regarding a home mortgage within a 30-day period as one inquiry, regardless of the actual number of inquiries in either case.

State Expenditures: Approximately 2.5 million Maryland residents are estimated to have a consumer report regarding their credit history. If 1% of them had a complaint during the course of a year, the Commissioner of Financial Regulation would experience an increase of 2,500 complaints annually. In order to process and investigate these complaints, general fund expenditures could increase by an estimated \$44,123 in fiscal 2008, which accounts for the bill's October 1, 2007 effective date. This estimate reflects the cost of one financial examiner to process and investigate complaints brought under the bill. It includes a salary, fringe benefits, one-time start-up costs, examiner travel, and ongoing operating expenses.

Positions	1
Salary and Fringe Benefits	\$37,750
Examiner Travel	1,125
Other Operating Expenses	<u>5,248</u>
Total FY 2008 State Expenditures	\$44,123

Future year expenditures reflect • a full salary with 4.5% annual increases and 3% employee turnover; • 1% annual increases in ongoing operating expenses; and • equipment replacement in fiscal 2011.

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 - March 16, 2007
mll/ljm

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