

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 37
Finance

(Senator Simonaire)

Commercial Law - Security Freezes - Fees for Active Duty Military Service Members

This bill prohibits consumer reporting agencies from charging a fee to active-duty military service members for a placement, temporary lift, or removal of a security freeze from the service member's consumer report.

Fiscal Summary

State Effect: None. If the Consumer Protection Division of the Office of the Attorney General receives fewer than 50 complaints per year stemming from the bill, the additional workload can be handled with existing resources.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill defines "military service member" as any resident of the State who is a member of any component of the U.S. Armed Forces or the National Guard of any state, the District of Columbia, a commonwealth, or a territory of the United States.

The service member must have entered any full-time training or duty for which the service member was ordered to report by the President; the governor of a state, commonwealth, or territory of the United States; or another military authority. The service member must also provide a copy of orders calling the military service member to duty or extending the period of military service to the consumer reporting agency.

Current Law: State law defines a “security freeze” as a restriction placed on a consumer’s consumer report at the request of the consumer that prohibits a consumer reporting agency from releasing the report (or any information derived from the report) without the authorization of the consumer. Consumer reporting agencies may charge a “reasonable fee” (of up to \$5) for each placement, temporary lift, or removal of a security freeze. Consumer reporting agencies may not charge a fee for a security freeze to consumers who have obtained a report of alleged identity fraud or for a minor for whom a consumer report already exists.

State law also allows a protected consumer’s representative to request a security freeze for an individual who is younger than age 16 at the time of request, or for an incapacitated person or a protected person for whom a guardian or conservator has been appointed. The Department of Human Resources is authorized by State law to request a security freeze for children placed in foster care.

Any consumer who has reason to believe that a violation of a law regulating consumer credit reporting has occurred may file a complaint with the Commissioner of Financial Regulation. Upon receipt of the complaint, the commissioner may hold a hearing on the complaint, issue an order for compliance, and, if after a hearing the commissioner finds a pattern and practice of violation, issue cease and desist orders. If a consumer reporting agency ignores a cease and desist order or other order for compliance, the commissioner may impose a civil penalty of up to \$100 for each violation. Additionally, the commissioner may petition the circuit court of any county to aid in the enforcement of any of the aforementioned enforcement powers of the commissioner.

Background: A consumer report (sometimes called a “credit report”) contains key financial information about a consumer, including credit history, bill repayment history, and the status of the consumer’s credit accounts. Consumer reports include detailed information about how often a consumer makes payments on time, how much credit is available to the consumer, and whether debt or bill collectors are collecting on money owed by the consumer. Lenders use information contained in consumer reports to determine whether they will extend credit to a consumer and, if so, what interest rates they will charge.

Many other types of companies also use consumer reports to make decisions about conducting business with consumers. For example, insurance companies, apartment rental companies, and utility companies often request a consumer report in order to decide whether to conduct business with a consumer. In some cases, prospective employers require applicants to release consumer report information as part of the hiring process.

Security freezes restrict access to a consumer report. Because most creditors need to see a consumer report before they will open a new account, they are unlikely to extend credit

with a security freeze in place. Thus, a security freeze makes it more difficult for identity thieves to open new accounts in another person's name. Consumers with active security freezes on their consumer reports must temporarily lift the freeze in order to allow third parties (*e.g.*, a credit card company, mortgage lender, prospective employer, etc.) access to their report.

A security freeze does not affect a consumer's credit score (a three-digit number calculated from information contained in a consumer report, and a representation of a consumer's creditworthiness).

Additional Information

Prior Introductions: None.

Cross File: None.

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

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