BRIAN E. FROSH
Attorney General

ELIZABETH F. HARRIS
Chief Deputy Attorney General

CAROLYN QUATTROCKI
Deputy Attorney General

WILLIAM D. GRUHN
Chief
Consumer Protection Division

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

Writer's Fax No.

Writer's Direct Dial No.
410-576-6417
pziperman@oag.state.md.us

January 26, 2022

To: The Honorable C.T. Wilson
Chair, Economic Matters

From: Philip D. Ziperman
Consumer Protection Division

Re: House Bill 251 – Consumer Protection – Maryland Consumer Reporting Act – Registration of Consumer Reporting Agencies and Regulations

(SUPPORT BILL)

The Office of the Attorney General supports House Bill 251 sponsored by Delegate Palakovich Carr. House Bill 251, among other things, requires the Commissioner of Financial Regulation to adopt regulations creating standards requiring credit reporting agencies to assure maximum possible accuracy of the information they report concerning consumers. The bill also attempts to create a baseline for these standards.

In 2012, in a congressionally-mandated study on credit reporting accuracy, the Federal Trade Commission found that one in four consumers identified errors in their credit reports that might affect their credit scores.[1] More recently, Consumer Reports found that one third of all Americans have found at least one error on their credit report.[2] The most common sources of these errors are:

- Mixed files, where the credit histories of two different consumers are mixed together;
- Identity theft accounts not being properly removed from the victim's file;
- Falsely being declared dead; and

[1] https://www.ftc.gov/news-events/press-releases/2013/02/ftc-study-five-percent-consumers-had-errors-their-credit-reports

[2] Consumer Reports, *more than a Third of Volunteers in a Consumer Reports Study Found Errors in Their Credit Reports* (June 10, 2021, https://www.consumerreports.org/credit-scores-reports/consumers-found-errors-in-their-credit-reports-a6996937910/.

- Errors by the creditors and debt collectors who supply information to the credit bureaus, i.e., "furnishers." [3]

According to the National Consumer Law Center, consumers who seek to correct these errors must confront "[a] broken dispute resolution system that is over-automated and uniformly biased against consumers, almost always taking the side of the creditors and debt collectors that supply information." [4] These problems will only be exacerbated by the financial disruption caused by the COVID-19 pandemic, which has resulted in massive job losses, severe economic dislocation, evictions and foreclosures that will already severely impact consumers – which impact will be further felt if these events are reported inaccurately on consumers' credit records.

Marylanders rely on having their credit information reported correctly when they apply for jobs, seek credit, apply for housing, purchase insurance, and conduct a host of other consumer transactions. The Fair Credit Reporting Act already requires that credit reporting agencies follow reasonable procedures to assure "maximum possible accuracy" of the information they report concerning consumers.[5] HB 251 will help ensure credit reporting agencies take baseline steps to meet this standard, including that the agencies verify the accuracy of reported information by using consumers' full name and other personal identifiers, such as their full social security numbers; full dates of birth plus another personal identifier; full primary residential addresses plus another personal identifier; and other methods that are established via regulation by the Commissioner of Financial Regulation.

The Division supports HB 251 because it should help take an important step towards reducing the amount of erroneous information contained in consumers' credit reports that could hurt consumers and respectfully requests that the Economic Matters Committee issue a favorable report.

cc: The Honorable Julie Palakovich Carr
Members, Economic Matters Committee

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[3] *See https://www.nclc.org/images/pdf/credit_reports/Testimony_HFSC_OI_credit_reporting.pdf*.
[4] *Id.*
[5] 15 U.S.X. § 1681e(b).