

# DISCLOSURE OF CREDIT REPORTS TO CONSUMERS

**House Bill 5018 (Substitute H-1)  
First Analysis (10-9-97)**

**Sponsor: Rep. Rose Bogardus  
Committee: Consumer Protection**

## ***THE APPARENT PROBLEM:***

Increases in technology and availability of personal information have helped to change the credit reporting industry from an industry consisting primarily of local companies to a nationwide industry where several companies collect, retain, analyze, and provide reports regarding the credit history of huge numbers of individuals. These credit histories are available for sale by these companies to banks, credit card companies, and others lenders of money. However, many consumers are unaware that these reports exist or what they contain. In fact, consumers themselves are only allowed free access to their own credit information under limited circumstances, and more often than not the consumer must pay a fee to see his or her own information. It is argued that in light of the degree to which this information is relied upon by creditors, from banks to mortgage holders to department stores, it is important that consumers be afforded the same access to their credit information as is enjoyed by their creditors and others.

immediately preceding the request, if the report had been

## ***THE CONTENT OF THE BILL:***

House Bill 5018 would create a new act to require credit reporting agencies to provide an individual with the information contained in his or her file upon request. The bill would apply to consumer reporting agencies as defined in the Fair Credit Reporting Act (15 U.S.C. 1681a). After receiving a request from an individual along with information verifying his or her identity, a credit reporting agency would have to provide the individual with all of the information in the file pertaining to him or her. However, the agency would not be required to disclose any information concerning credit scores or other risk scores or predictors relating to the individual.

Further, the reporting agency would have to provide to the individual a copy of a credit report given to a third party, as well as providing the identity of any third party that it knew had procured or received a copy of a report on the individual within the one-year period immediately preceding his or her request (or in the two years

procured for employment purposes). The individual would have to be given the name of the third party or, if applicable, the full trade name under which the third party conducted business and, if the individual asked, the agency would also have to provide the third party's address and telephone number.

If a reporting agency violated the bill's provisions, the agency would be liable to the person injured by the violation for any remedy or penalty available under the Fair Credit Reporting Act (15 U.S.C. 1681 to 1681u) or the greater of the individual's actual damages or \$1,000, plus reasonable attorney fees.

[Note: The bill's definition section provides definitions of reports and reporting agencies; however, the body of the bill occasionally uses the terms reports and reporting agencies.]

### **FISCAL IMPLICATIONS:**

According to the House Fiscal Agency, the bill would have no fiscal impact on state or local government. (10-8-97)

### **ARGUMENTS:**

#### **For:**

Given the volume of information currently available to and used by these credit reporting agencies, inaccuracies can, and do, occur; unfortunately, since most people have little or no knowledge of the contents of their credit history, these errors can harm the consumer's credit rating before they are discovered. As a result, it is argued that consumers should make a habit of routinely reviewing their credit information. Generally, however, unless he or she has had a credit application rejected, a consumer must pay a fee for a copy of the information. The bill would allow consumers to obtain their credit history information without paying a fee, helping the consumer to verify the accuracy of that information and also improving the accuracy and reliability of the

information as it is maintained by the credit reporting agencies.

#### **Against:**

The bill could place an excessive burden upon credit reporting agencies, by potentially requiring them to absorb the costs of a substantial increase in the number of requests for credit information by individual consumers. Not only would such an increase in requests result in raised printing costs, but the labor costs involved in retrieving and preparing the information will also be significant. Furthermore, many of the bill's provisions are already contained in the Federal Fair Credit Reporting Act; as a result this bill is redundant.

#### **Response:**

Although the bill does conform with section 609 of the Federal Fair Credit Reporting Act, which took effect October 1, 1997, it is not redundant. Should the federal act be repealed or not be renewed after its sunset date of January 1, 2004, Michigan citizens will continue to have the right to obtain their own credit history from credit reporting agencies.

### **POSITIONS:**

The Michigan Consumer Federation supports the bill. (10-8-97)

The UAW Michigan Community Action Program supports the bill. (10-8-97)

The Associated Credit Bureaus has not yet taken a position on the bill. (10-8-97)

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