

SENATE BILL REPORT

SB 6275

AS OF JANUARY 28, 1992

Brief Description: Regulating credit information use.

SPONSORS: Senators von Reichbauer, Williams and Pelz; by request of Attorney General

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Tom Fender (786-7414)

Hearing Dates: January 28, 1992

BACKGROUND:

In 1970, Congress enacted credit reporting agency legislation known as the Fair Credit Reporting Act. Many states followed suit enacting similar legislation vesting enforcement authority in their state attorney generals through the Unfair Trade Practice Acts. Washington was not among the states that chose to take such action.

The purpose of the federal legislation was to provide businesses granting credit with accurate information regarding a consumer's payment history and general creditworthiness. Concurrently, there was a responsibility imposed upon credit reporting agencies to report accurately and to correct misinformation within their files. Consumer files at this juncture were generated primarily through the participation of the credit reporting agencies' subscribers and public records.

Intervening in the late 1970's and throughout the '80s was the widespread introduction of electronic data processing and the network connections of financial institutions, major business, and consumer reporting agencies. During this transition there was a rapid progression to a cashless society. By necessity, the current business system requires correct information to function in an efficient and fair manner.

Public recordkeeping has not progressed at the same rate as business records and as a result, liens, judgments, and deficiencies appear in public record long after they have been satisfied or discharged. This phenomenon and informational error, when coupled with three major national credit reporting entities, has led to significant documented error and public frustration. Compounding this problem has been the reality that a small segment of the public is unable to communicate accurately in writing to these reporting agencies. Further, there has been reported abuse on the part of certain members of the credit reporting industry regarding the correction of this misinformation.

As a result, action has been taken by the Federal Trade Commission, state attorney generals and members of Congress to correct this situation. This committee, during 1991, received a significant amount of background material regarding these matters.

The Attorney General in response has developed a proposal which is an amalgam of the 1970 federal act, pending federal legislation, Federal Trade Commission and attorney general consent decrees and the experience of the Attorney General's Consumer Protection Office over the past years. Accordingly, the bill attempts to remedy the manifold problems existing with the least amount of cost shift to those subscribing to credit reporting services.

SUMMARY:

The Federal Consumer Credit Reporting Agency standards are expanded and modified to limit the use of information, define standards for correction, provide penalties, and incorporate into Washington's Consumer Protection Act. Consumers are provided with access to their credit history and with one free copy per year of credit reporting agency files upon request.

Users and providers of credit information are required to adopt procedures that determine accurate information, nondisclosure without authorization, and must have the consent of the consumer except in certain cases.

Appropriation: none

Revenue: none

Fiscal Note: none requested