

HOUSE BILL ANALYSIS

HB 1108

Title: Relating to consumer credit reports.

Brief Description: Restricting the information in a consumer credit report.

Sponsors: Sullivan, Bush, Kastama, DeBolt, Linville, Doumit, Murray, Gombosky, Morris, Rockefeller, H. Sommers, McIntire, Hurst, Kenney, Conway, D. Schmidt, Wolfe, Cairnes, Eickmeyer, Hatfield, Keiser and Lambert.

HUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: January 26, 1998

Bill Analysis Prepared by: Charlie Gavigan (786-7340)

Background: The Washington Fair Credit Reporting Act was adopted in 1993. Consumer reporting agencies are required to have reasonable procedures to maintain proper information within credit report files, ensure maximum possible accuracy, and provide reports under appropriate circumstances. A consumer reporting agency may only provide a consumer's credit report in certain enumerated circumstances, including for a credit transaction, insurance transaction, employment decision, or other legitimate business situation.

Consumer credit reports can be provided for transactions initiated by the consumer, such as an application for credit or insurance, and for transactions that are not initiated by the consumer. Credit reports on transaction initiated by the customer generally show who else has made inquiries (requested credit reports) from the credit reporting agency regarding that customer. Credit reports not initiated by the consumer are much more limited in scope; these reports cannot show information identifiable to individual accounts and are typically used for pre-screening credit transactions or for solicitations.

Credit reports are prohibited from providing certain information, including bankruptcies more than 10 years old and most suits and judgments, paid tax liens, and collections that are more than 7 years old.

The Fair Credit Reporting Act is the principle federal law governing the practices of credit reporting agencies. It is similar in many respects to Washington's law. The federal law has a provision that generally disfavors preemption of state laws in this area. This general federal preemption only preempts state laws to the extent they are inconsistent with the federal law, and then only to the extent of the inconsistency. In 1996, Congress amended this to add exceptions to the general provision restricting preemption. One of these exceptions prohibits state laws, between September 30,

1996 and January 1, 2004, that relate to requirements regarding information contained in consumer reports. Inquiries are not specifically addressed by this provision, but the provision does cover information excluded from consumer reports.

Summary of Bill: In addition to other information a credit reporting agency is prohibited from including in a credit report under Washington law, a credit report cannot include insurance related inquiries.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Rulemaking Authority: Not addressed.