

**First Regular Session
Sixty-third General Assembly
STATE OF COLORADO**

INTRODUCED

LLS NO. 01-0565.01 Duane Gall

HOUSE BILL 01-1072

HOUSE SPONSORSHIP

Daniel

SENATE SPONSORSHIP

(None)

House Committees

Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING CONSUMER PROTECTIONS IN CONNECTION WITH**
102 **ACTIVITIES OF CONSUMER REPORTING AGENCIES.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Requires a consumer reporting agency or home mortgage lender to disclose to a consumer the consumer's overall credit score, together with the method by which the credit score was derived from the other information in the consumer's file, upon request and free of charge. Defines "credit score".

Requires timely updating of the consumer's credit file to reflect favorable information such as an increase in the consumer's credit limit.

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** 5-3-103, Colorado Revised Statutes, is amended BY
3 THE ADDITION OF A NEW SUBSECTION to read:

4 **5-3-103. Change in terms of revolving credit accounts - notice.**

5 (1.5) WHENEVER A CREDITOR OFFERS AND A CONSUMER ACCEPTS AN
6 INCREASE IN THE CREDIT LIMIT APPLICABLE TO A REVOLVING ACCOUNT,
7 THE CREDITOR SHALL GIVE NOTICE OF THE INCREASE TO EVERY CONSUMER
8 REPORTING AGENCY, AS DEFINED IN SECTION 12-14.3-102(4), C.R.S., WITH
9 WHICH THE CREDITOR REGULARLY DOES BUSINESS. SUCH NOTICE SHALL BE
10 GIVEN BEFORE THE END OF THE NEXT COMPLETE BILLING CYCLE OR WITHIN
11 SIXTY DAYS AFTER THE EFFECTIVE DATE OF THE INCREASE, WHICHEVER
12 OCCURS FIRST.

13 **SECTION 2.** 12-14.3-102 (3) (a), Colorado Revised Statutes, is
14 amended, and the said 12-14.3-102 is further amended BY THE
15 ADDITION OF A NEW SUBSECTION, to read:

16 **12-14.3-102. Definitions.** As used in this article, unless the
17 context otherwise requires:

18 (3) (a) "Consumer report" means any written, oral, or other
19 communication or any information by a consumer reporting agency
20 bearing on a consumer's credit worthiness, credit standing, credit capacity,
21 debts, character, general reputation, personal characteristics, or mode of
22 living, which is used or expected to be used or collected, in whole or in
23 part, as a factor to establish a consumer's eligibility for credit or insurance
24 to be used for personal, family, or household purposes, employment
25 purposes, or any other purpose authorized pursuant to applicable
26 provisions of the federal "Fair Credit Reporting Act", 15 U.S.C. sec.

1 1681a and 1681b, as amended. "CONSUMER REPORT" INCLUDES THE
2 CONSUMER'S CREDIT SCORE.

3 (4.2) "CREDIT SCORE" MEANS A NUMERIC OR ALPHANUMERIC
4 DESIGNATION OF A CONSUMER'S OVERALL CREDITWORTHINESS THAT IS
5 GENERATED BY APPLICATION OF A CREDIT SCORING FORMULA.

6 **SECTION 3.** 12-14.3-103 (2), Colorado Revised Statutes, is
7 amended to read:

8 **12-14.3-103. Permissible purposes - prohibition.** (2) A
9 consumer reporting agency may not, by contract or otherwise, prohibit a
10 user of any consumer report or investigative consumer report from, upon
11 request of the consumer, disclosing and explaining the contents of such
12 report or providing a copy of the report, INCLUDING THE CONSUMER'S
13 CREDIT SCORE, to the consumer to whom it relates if adverse action
14 against the consumer has been taken or is contemplated by the user of the
15 consumer report or investigative consumer report, based in whole or in
16 part on such report. No user or consumer reporting agency shall be held
17 liable or otherwise responsible for a disclosed or copied report when
18 acting pursuant to this subsection (2) nor shall such disclosure or
19 provision of a copy of the report, by themselves, make the user a
20 consumer reporting agency.

21 **SECTION 4.** 12-14.3-104 (1) and the introductory portion to
22 12-14.3-104 (2) (a), Colorado Revised Statutes, are amended, and the said
23 12-14.3-104 is further amended BY THE ADDITION OF A NEW
24 SUBSECTION, to read:

25 **12-14.3-104. Disclosures to consumers - updates to consumer**
26 **files.** (1) A consumer reporting agency shall, upon written or ~~verbal~~
27 ORAL request and proper identification of any consumer, clearly,

1 accurately, and in a manner that is understandable to the consumer,
2 disclose to the consumer, in writing, all information in its files at the time
3 of the request pertaining to the consumer, including but not limited to:

4 (a) The names of all persons requesting credit information
5 pertaining to the consumer during the prior twelve-month period and the
6 date of each request;

7 (b) A set of instructions, presented in a manner that is
8 understandable to the consumer, describing how information is presented
9 on its written disclosure of the file; and

10 (c) ~~A toll-free number for use in resolving the dispute if the~~
11 ~~consumer submitted a written dispute to the consumer reporting agency,~~
12 ~~which operates on a nationwide basis.~~ THE CONSUMER'S CREDIT SCORE,
13 TOGETHER WITH AN EXPLANATION OF HOW SUCH SCORE WAS DERIVED
14 FROM THE OTHER INFORMATION IN THE FILE; AND

15 (d) A TOLL-FREE NUMBER, WHICH OPERATES ON A NATIONWIDE
16 BASIS, FOR USE IN RESOLVING THE DISPUTE IF THE CONSUMER SUBMITTED
17 A WRITTEN DISPUTE TO THE CONSUMER REPORTING AGENCY.

18 (2) (a) A consumer reporting agency shall notify a consumer, by
19 letter sent by first-class mail, that the consumer reporting agency will
20 provide the consumer with a disclosure copy of his or her consumer file,
21 INCLUDING THE CONSUMER'S CREDIT SCORE, at no charge and a toll-free
22 telephone number to call to provide the consumer reporting agency with
23 the information necessary to request such copy, when one of the following
24 events occurs within a twelve-month period:

25 (3) WITHIN THIRTY DAYS AFTER RECEIVING CREDIT INFORMATION
26 THAT IS FAVORABLE TO THE CONSUMER, INCLUDING, WITHOUT LIMITATION,
27 ANY INCREASE IN THE CONSUMER'S CREDIT LIMIT, A CREDIT REPORTING

1 AGENCY SHALL ADD SUCH INFORMATION TO THE CONSUMER'S FILE AND
2 SHALL REVISE THE CONSUMER'S CREDIT SCORE ACCORDINGLY.

3 **SECTION 5.** Article 40 of title 38, Colorado Revised Statutes, is
4 amended BY THE ADDITION OF A NEW SECTION to read:

5 **38-40-102.5. Disclosure of credit score - definitions.** (1) AS
6 USED IN THIS SECTION:

7 (a) "CONSUMER REPORT" HAS THE MEANING SET FORTH IN SECTION
8 12-14.3-102 (3), C.R.S.

9 (b) "CONSUMER REPORTING AGENCY" HAS THE MEANING SET FORTH
10 IN SECTION 12-14.3-102 (4), C.R.S.

11 (c) "CREDIT BUREAU" SHALL BE SYNONYMOUS WITH "CONSUMER
12 REPORTING AGENCY".

13 (d) "CREDIT SCORE" HAS THE MEANING SET FORTH IN SECTION
14 12-14.3-102 (4.2), C.R.S.

15 (e) "ENTERPRISE" HAS THE MEANING SET FORTH IN 12 U.S.C. SEC.
16 4502(6).

17 (f) "PERSON" DOES NOT INCLUDE AN "ENTERPRISE" AS DEFINED IN
18 12 U.S.C. SEC. 4502(6).

19 (2) ANY PERSON WHO REGULARLY MAKES OR ARRANGES LOANS
20 AND WHO USES A CREDIT SCORE IN CONNECTION WITH AN APPLICATION
21 INITIATED OR SOUGHT BY A CONSUMER FOR A CLOSED-END LOAN, OR FOR
22 ESTABLISHMENT OF AN OPEN-END LOAN FOR A CONSUMER PURPOSE, THAT
23 IS SECURED BY ONE TO FOUR UNITS OF RESIDENTIAL REAL PROPERTY SHALL
24 PROVIDE THE FOLLOWING TO THE CONSUMER AS SOON AS REASONABLY
25 PRACTICABLE:

26 (a) A COPY OF ALL INFORMATION CONTAINED IN ANY CONSUMER
27 REPORT THAT WAS OBTAINED FROM A CONSUMER REPORTING AGENCY; OR

1 (b) IF PARAGRAPH (a) OF THIS SUBSECTION (1) DOES NOT APPLY, A
2 COPY OF ALL INFORMATION CONTAINED IN ANY OTHER REPORT, RATING, OR
3 COMPILATION THAT WAS USED BY THE PERSON MAKING OR ARRANGING THE
4 LOAN.

5 (3) IN ADDITION TO THE INFORMATION DESCRIBED IN SUBSECTION
6 (2) OF THIS SECTION, THE PERSON MAKING OR ARRANGING THE LOAN SHALL
7 PROVIDE THE CONSUMER WITH A COPY OF THE FOLLOWING NOTICE, WHICH
8 SHALL INCLUDE THE NAME, ADDRESS, AND TELEPHONE NUMBER OF EACH
9 CREDIT BUREAU OR CONSUMER REPORTING AGENCY PROVIDING A CREDIT
10 SCORE THAT WAS USED:

11 "NOTICE TO THE HOME LOAN APPLICANT

12 IN CONNECTION WITH YOUR APPLICATION FOR A HOME LOAN, THE
13 LENDER MUST DISCLOSE TO YOU THE SCORE THAT A CREDIT BUREAU
14 DISTRIBUTED TO USERS AND THE LENDER USED IN CONNECTION WITH YOUR
15 HOME LOAN, AND THE KEY FACTORS AFFECTING YOUR CREDIT SCORES.

16 THE CREDIT SCORE IS A COMPUTER-GENERATED SUMMARY
17 CALCULATED AT THE TIME OF THE REQUEST AND BASED ON INFORMATION
18 A CREDIT BUREAU OR LENDER HAS ON FILE. THE SCORES ARE BASED ON
19 DATA ABOUT YOUR CREDIT HISTORY AND PAYMENT PATTERNS. CREDIT
20 SCORES ARE IMPORTANT BECAUSE THEY ARE USED TO ASSIST THE LENDER
21 IN DETERMINING WHETHER YOU WILL OBTAIN A LOAN. THEY MAY ALSO BE
22 USED TO DETERMINE WHAT INTEREST RATE YOU MAY BE OFFERED ON THE
23 MORTGAGE. CREDIT SCORES CAN CHANGE OVER TIME, DEPENDING ON
24 YOUR CONDUCT, HOW YOUR CREDIT HISTORY AND PAYMENT PATTERNS
25 CHANGE, AND HOW CREDIT SCORING TECHNOLOGIES CHANGE.

26 BECAUSE THE SCORE IS BASED ON INFORMATION IN YOUR CREDIT
27 HISTORY, IT IS VERY IMPORTANT THAT YOU REVIEW THE CREDIT-RELATED

1 INFORMATION THAT IS BEING FURNISHED TO MAKE SURE IT IS ACCURATE.
2 CREDIT RECORDS MAY VARY FROM ONE COMPANY TO ANOTHER.

3 IF YOU HAVE QUESTIONS ABOUT YOUR CREDIT SCORE OR THE CREDIT
4 INFORMATION THAT IS FURNISHED TO YOU, CONTACT THE CREDIT BUREAU
5 AT THE ADDRESS AND TELEPHONE NUMBER PROVIDED WITH THIS NOTICE,
6 OR CONTACT THE LENDER, IF THE LENDER DEVELOPED OR GENERATED THE
7 CREDIT SCORE. THE CREDIT BUREAU PLAYS NO PART IN THE DECISION TO
8 TAKE ANY ACTION ON THE LOAN APPLICATION AND IS UNABLE TO PROVIDE
9 YOU WITH SPECIFIC REASONS FOR THE DECISION ON A LOAN APPLICATION.

10 IF YOU HAVE QUESTIONS CONCERNING THE TERMS OF THE LOAN,
11 CONTACT THE LENDER."

12 (4) IF THE PERSON MAKING OR ARRANGING THE LOAN USES AN
13 AUTOMATED UNDERWRITING SYSTEM TO UNDERWRITE A LOAN, THAT
14 PERSON MAY SATISFY THE OBLIGATION TO PROVIDE A CREDIT SCORE BY
15 DISCLOSING A CREDIT SCORE AND ASSOCIATED KEY FACTORS SUPPLIED BY
16 A CONSUMER REPORTING AGENCY. HOWEVER, IF A NUMERICAL CREDIT
17 SCORE IS GENERATED BY AN AUTOMATED UNDERWRITING SYSTEM USED BY
18 AN ENTERPRISE, AND THAT SCORE IS DISCLOSED TO THE PERSON, IT SHALL
19 BE DISCLOSED TO THE CONSUMER CONSISTENT WITH SUBSECTION (2) OF
20 THIS SECTION. FOR PURPOSES OF THIS SECTION, THE TERM "ENTERPRISE"
21 SHALL HAVE THE MEANING PROVIDED IN 12 U.S.C. SEC. 4502(6).

22 (5) IF THE PERSON MAKING OR ARRANGING THE LOAN USES A
23 CREDIT SCORE OTHER THAN A CREDIT SCORE PROVIDED BY A CONSUMER
24 REPORTING AGENCY, THAT PERSON MAY SATISFY THE OBLIGATION TO
25 PROVIDE A CREDIT SCORE BY DISCLOSING A CREDIT SCORE AND ASSOCIATED
26 KEY FACTORS SUPPLIED BY A CONSUMER REPORTING AGENCY.

27 (6) THIS SECTION SHALL NOT REQUIRE ANY PERSON TO:

1 (a) EXPLAIN THE CONTENTS OF A CONSUMER REPORT OR THE
2 FORMULA USED TO DERIVE THE CREDIT SCORE FROM THE CONTENTS OF THE
3 REPORT, UNLESS THE PERSON DEVELOPED AND USED HIS OR HER OWN
4 RATING, REPORT, OR COMPILATION;

5 (b) DISCLOSE ANY INFORMATION OTHER THAN THAT SPECIFIED IN
6 SUBSECTIONS (2), (3), AND (4) OF THIS SECTION;

7 (c) DISCLOSE ANY CREDIT SCORE OR RELATED INFORMATION
8 OBTAINED BY THE USER AFTER A LOAN HAS CLOSED;

9 (d) PROVIDE MORE THAN ONE DISCLOSURE PER LOAN TRANSACTION;
10 OR

11 (e) PROVIDE THE DISCLOSURE REQUIRED BY THIS SECTION WHEN
12 ANOTHER PERSON HAS MADE THE DISCLOSURE TO THE CONSUMER FOR THAT
13 LOAN TRANSACTION.

14 (7) ANY PERSON'S OBLIGATION PURSUANT TO THIS SECTION SHALL
15 BE LIMITED SOLELY TO PROVIDING A COPY OF THE INFORMATION SPECIFIED
16 IN SUBSECTIONS (2), (3), AND (4) OF THIS SECTION. NO PERSON HAS
17 LIABILITY UNDER THIS SECTION FOR THE CONTENT OF INFORMATION
18 OBTAINED FROM A CONSUMER REPORTING AGENCY OR OTHER THIRD PARTY
19 OR FOR THE OMISSION OF ANY INFORMATION WITHIN THE REPORT PROVIDED
20 BY SUCH THIRD PARTY.

21 **SECTION 6. Effective date - applicability.** This act shall take
22 effect July 1, 2001, and shall apply to transactions occurring on or after
23 said date.

24 **SECTION 7. Safety clause.** The general assembly hereby finds,
25 determines, and declares that this act is necessary for the immediate
26 preservation of the public peace, health, and safety.