

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on February 14, 2001 in Room 527-S of the Capitol.

All members were present except:

Committee staff present:

Dr. Bill Wolff, Legislative Research  
Bruce Kinzie, Revisor's Office  
Maggie Breen, Committee Secretary

Conferees appearing before the committee:

Karen France, Kansas Association of Realtors  
Erik Sartorius, Kansas Regional Association of  
Realtors  
Pat Tholen, J.C. Nichols Real Estate  
Barb Conant, Kansas Trial Lawyers Association  
Eric Ellman, Associated Credit Bureaus  
Chuck Stones, Kansas Bankers Association

Others attending: See Attached List

Chairman Cox opened the hearing on **HB 2254 - Enacting the California credit score disclosure act**

**Proponents:**

**Karen France**, Director of Governmental Regulations - Kansas Association of Realtors, said her organization requested the legislation due a new element in the credit granting process called the credit score. Credit scoring is a critical factor in the mortgage lending decision. Large lenders have their own proprietary mortgage scoring models to make underwriting decisions. Though there are several disclosure requirements for lenders, to make to consumers in taking a loan application and in closing a mortgage loan, there is no requirement that lenders, or other risk score model users, disclose credit scores to mortgage applicants. Current law does not require disclosure of credit risk scores. This bill modeled after California legislation does. The bill applies to mortgage credit scores, not consumer credit scores. These credit scores should be disclosed to borrowers. Section 3, page 5 is the most important portion of the bill. (**Attachment 1**)

**Erik Sartorius**, Governmental Affairs Director - Kansas City Regional Association of Realtors, strongly encouraged passage of **HB 2254**. Many consumers are aware that they can receive their credit report and can correct errors within the report. They then incorrectly assume that if you have a good credit report you have a good credit score. That is not necessarily the case. Folks who are concerned about their credit worthiness tend to try to take steps to do the right things to ensure that their credit looks good when the time comes to refinance or buy a new home. The efforts they takes can sometimes do just the opposite in terms of their credit score. They do not have the same protections and rights with credit scores as they do with credit reports. He requested the committees' support of the legislation. He distributed a 4 page booklet which contain best guesses on how to help your credit score. (**Attachment 2 & 3**)

**Barb Conant**, Director of Public Affairs - Kansas Trial Lawyers Association, said they support the bill because it gives consumers the statutory right to their credit information at a reasonable cost and in a timely manner. They offered two amendments which they feel would further strengthen the bill. The amendments would 1) also give the consumers' legal representative the right to the information as well and 2) would hold the consumer reporting agency accountable for court cost or attorney fees if they're found negligent. (**Attachment 4**)

**Housing and Credit Counseling, Inc.** - Written testimony only (**Attachment 5**)

CONTINUATION SHEET

MINUTES OF THE FINANCIAL INSTITUTIONS, Room 527-S Statehouse, at 3:30 p.m. on February 14, 2001.

**Opponents:**

**Eric Ellman**, Associated Credit Bureau, said that there are three specific areas of the bill that they object to. First is the credit scoring proposal, second is trade line blocking which is addressed on page 10, lines 10-14 of **HB 2254**, and third is the broader over-hall of the existing Kansas credit reporting law. (**Attachment 7**)

**Chuck Stones**, Kansas Bankers Association, said that **HB 2254** is not needed. The consumer already receives more than adequate information. Regulation B requires a financial institution to disclose the reasons for a loan denial and, if necessary, how the consumer can obtain a fee copy of their credit. Credit scoring has been around for a long time and is just one piece of the puzzle when determining whether a loan should be granted. He urged the committee to oppose the bill. (**Attachment 8**)

**Dennis Hadley**, Senior Vice President - Denison State Bank of Holton and Hoyt, Kansas, spoke in opposition to **HB 2254**. He has a background of 18 years in banking, 3 years in finance company business, 10 years as board member of the Credit Bureau of Topeka, past president of that credit bureau, and is in charge of the mortgage lending department of his bank. The bill seeks to over-hall yet duplicate a lot of things that are in place. He uses credit scores in some way every day but they are only a small part of the picture. The five C's of lending are: Character, Capacity, Capital, Collateral, and Conditions. Credit history and credit scoring serve only as an additional source to aid the lender at arriving at the loan approval or denial. There are current Reg. B requirements, which acquire the consumer a written denial of an application, with a specific reason for denial. Consumers may receive a copy of their credit file and can receive a copy of their score. The information is available through local credit bureaus across Kansas and also on the Internet. (**Attachment 9**)

**Bob Kennedy**, Community Bankers Association, representing locally owned and operating banks, said he agreed with everything that the opponents have said. He added that he is particularly concerned about the punitive portion. His organization's bankers don't like being drug into it and certainly don't want to be subject to punitive damages. (No written testimony)

Chairman Cox said the hearing on **HB 2254** would be discontinued at this time and continued on Monday, February 19.

Meeting adjourned at 4:30 p.m.

The next scheduled meeting is February 19, 2001