



OHIO LEGISLATIVE SERVICE COMMISSION

Jessica Murphy

Fiscal Note & Local Impact Statement

Bill: H.B. 386 of the 132nd G.A.

Status: As Reported by House Financial Institutions, Housing, and Urban Development

Sponsor: Reps. Henne and Kelly

Local Impact Statement Procedure Required: No

Subject: Security freeze fees

State & Local Fiscal Highlights

- There will be no discernible ongoing effect on the workload and annual operating expenses of the Attorney General's Consumer Protection Section, which will have the authority to investigate and enforce violations of the bill's prohibition. There may be occasional revenue from court-awarded civil penalties, which would be credited to the existing Consumer Protection Enforcement Fund (Fund 6310).
- The common pleas courts may experience a slight increase in civil cases filed by the Attorney General alleging that a consumer credit reporting agency violated the bill's prohibition against charging fees in relation to a credit report freeze. The corresponding increase in court time and administrative work to process a small number of additional civil cases would be no more than minimal at most annually.

Detailed Fiscal Analysis

The bill prohibits a consumer credit reporting agency (CRA) from charging fees associated with placing, removing, or temporarily lifting a security freeze on a consumer's credit report or on a protected consumer's credit report.¹

Generally, a security freeze prohibits a CRA from releasing all or part of the consumer's credit report or any information derived from the report relating to the extension of credit without express authorization of the consumer. The security freeze is placed on the report upon the request of the consumer. Typically, to initiate a freeze, the consumer contacts each of the three major credit bureaus – Equifax, Experian, and TransUnion – each of which may charge a fee of up to \$5 for placing the freeze. There is no charge for placement of a security freeze for victims of identify fraud. Similarly, the CRA may charge a fee of \$5 for removing or temporarily lifting a security freeze on the consumer's credit report. The bill prohibits the fee associated with placing, removing, or lifting a freeze in all circumstances.

¹ A "protected consumer" is a minor or a person for whom a guardian of the estate or conservator has been appointed at the time of a request for the placement of a security freeze is made.

Attorney General

The bill allows the Attorney General to investigate, and bring a civil action in a court of common pleas for appropriate relief, including civil penalties, if it appears that a CRA has failed or is failing to comply with the bill's prohibition. The necessary work would be performed by the Attorney General's Consumer Protection Section. Presumably, CRAs will comply with the bill's prohibitions; however, violations may nevertheless occur. In such cases, the Attorney General would try to settle the issue(s) surrounding such violations prior to initiating any formal legal action. The Attorney General would seek court action against a violator as a last resort if negotiations fail, or if they perceive that the violator is receiving a pattern of consumer complaints.

The potential cost to the Attorney General for conducting an investigation and filing a civil action may be offset because: (1) any civil penalty that is assessed by the court will be credited to the existing Consumer Protection Enforcement Fund (Fund 6310) used by the Attorney General to support the Consumer Protection Section, and (2) any CRA that is found by the court to be in violation of the bill's prohibition is liable for the Attorney General's costs in conducting an investigation and bringing a civil action. That said, the bill appears unlikely to generate any discernible ongoing fiscal effect on the workload and annual operating expenses of the Consumer Protection Section.

Common pleas courts

Any costs incurred by courts of common pleas across the state would be no more than minimal. It is unlikely that the bill will result in the filing of a large number of civil actions each year. The fiscal impact on the courts would be realized as a potentially slight increase in the number of civil case filings and the corresponding increase in court time and administrative functions to dispose of those cases.