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**President Signs Major Credit and Identity Theft Reform Bill  
Consumers Get Protections, But At Unacceptably High Cost of State Rights**

While the bill signed today by the President will help consumers fight identity theft and credit report errors, its passage heralds the growing threat posed by Bush Administration-backed policies to permanently limit state authority to protect consumers, charged U.S. PIRG.

“While states have led the way in fighting the identity theft epidemic, consumers have waited years for Congress or the banks to do anything about it,” said U.S. PIRG Consumer Program Director Ed Mierzwinski. “Finally, consumers nationwide have gained important new rights to fight identity theft and clean up credit bureau mistakes, but at the unacceptably high price of unfair, permanent limits on state rights.”

In 1996, the last time Congress amended the 1970 Fair Credit Reporting Act (FCRA), it placed a temporary eight-year limit on state authority to enact some but not all, stronger consumer protections. Today’s enactment of the “Fair And Accurate Credit Transactions Act” will both make the temporary limits permanent and expand them to include the bill’s new identity theft protections and its credit report and credit score disclosure provisions.

“The best ideas in the new law, from giving any consumer a free credit report annually on request and requiring the disclosure of credit scores at reasonable cost to requiring businesses to verify identities and addresses before opening accounts and to cooperate with identity theft victims all come from recent state laws,” Mierzwinski added, “But at the insistence of the banks and credit bureaus whose sloppy practices aid and abet the identity thieves, Congress and the President have severely rolled back state authority to come up with new ideas and respond to new identity theft threats.”

Among the other PIRG-supported highlights of the new federal law, which will take effect no later than one year from today, are the following:

- The right of identity theft victims to place fraud alerts on all three of their major credit bureau reports with a single call to any one of them. Fraud alerts will be included on all reports, including so-called “score-only” reports, and creditors must take special steps before issuing credit based on any report or score accompanied by an alert.
- Additional free credit report for identity theft victims.
- The right of victims to block fraudulent accounts, or trade lines, on their credit reports from being shared with businesses and a prohibition on any business or debt collector attempting to collect on any fraudulent debt.

- The creation of a new “risk-based pricing notice” so that the many consumers who accept higher-priced credit offers based on their credit scores can review their credit reports for errors.
- A requirement that creditors specifically inform consumers the first time they send any negative information about their accounts to a credit bureau.
- A prohibition on the use of medical information for credit decisions and a requirement that health-related accounts on credit reports be coded to protect privacy.
- Improvements to the disclosure of the rights of consumers to opt-out of receiving so-called pre-screened or pre-approved solicitations for credit and insurance. In addition, when consumers opt-out by telephone, their opt-out will be good for five years, instead of two. Written opt-outs remain permanent until rescinded.

“The most gaping loophole in the new law is its failure to adequately protect financial privacy and its threat to our much stronger new California privacy law,” said CALPIRG legislative director Steve Blackledge.

While the bill includes a modest marketing opt-out preventing businesses from using information obtained from affiliated companies for marketing, the bill’s permanent extension of limits on state authority imperils a much stronger California financial privacy law signed in August which is expected to face a court challenge based on the new federal law, Blackledge said.

“Large parts of our long-sought platform to protect identity theft victims and improve credit report accuracy are in this law and we commend those members who worked to enact them,” said Mierzwinski. “We are disappointed that we could not support the final bill because the permanent extension and expansion of unfair limits on the longstanding right of the states to pass stronger laws means that if the job Congress did isn’t good enough, it’s doubtful Congress will ever come back to help victims again.”

“While the President often says he is for state’s rights, his Administration’s record--on privacy, on predatory lending and on environmental protection-- more and more shows a disdain for state authority and a favoritism toward industry-backed usurpation of the right of the states to protect consumers and the environment,” Mierzwinski concluded.

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For background on PIRG’s work and reports on credit reporting and identity theft, see <http://www.pirg.org/consumer/credit/>

For a recent opinion piece, “The State’s Rights Principle,” by U.S. PIRG Executive Director Gene Karpinski, see <http://www.tompaine.com/feature2.cfm/ID/8909>