

1999 SENATE JUDICIARY

SB 2352

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2352

Senate Judiciary Committee

Conference Committee

Hearing Date January 26, 1999

Tape Number	Side A	Side B	Meter #
1	x		4590 - end
		x	0 - 2142
2-8-99 1		x	3700 - 3940
Committee Clerk Signature <i>Jackie Follman</i>			

Minutes:

SB2352 relates to disclosure of credit card account numbers and relates to penalty for disclosing credit card numbers; and to provide a penalty.

SENATOR STENEHJEM opened the hearing on SB2352 at 10:00 A.M.

All were present.

SENATOR NAADEN testified in support of SB2352. This bill could have far reaching effects.

A person had a problem with her credit card company with giving out her number. I believe we need to look into this.

VERDA SEEKLANDER testified in support of SB2352. She had a problem with her credit card company. Leisure Advantage called her about a kit, she said she would accept the offer but

forgot to give her number to them. She called them back and they told her that her credit card company had given them her credit card number. This was done without her knowledge or permission.

MIKE LEFOR, Associated Credit Bureaus of North Dakota, testified in opposition of SB2352.

Testimony attached.

SENATOR LYSON asked if there was something in this bill that the credit card numbers could be released to credit bureaus, would that satisfy your organization.

MIKE LEFOR stated that yes, he believed it would.

MARILYN FOSS, North Dakota Bankers Association, testified in opposition of SB2352. This bill would affect North Dakota banks and won't affect some of the credit cards from out of state banks. With State banks this could be problematic. North Dakota banks are already operating under broad obligations to maintain confidentiality.

SENATOR TRAYNOR asked if this bill passed, what problems would a bank have in getting financial information about a customer who wanted a loan.

MARILYN FOSS stated it would cause a lot of confusion. Credit information would be limited. State banks don't like to change to federal forms.

IRVIN LEE, Direct Marketing Association, testified in opposition of SB2352. Proposed an amendment which is attached. These marketing associations make telephone solicitations.

CHUCK AXTMAN, Credit Consumer Co. of Jamestown, testified in opposition of SB2352. I run a credit reporting agency and this bill would adversely affect our industry.

SENATOR WATNE stated her company has a credit rating machine. I need express authority and their social security information to get information. Wouldn't it be automatic that this would release information to credit bureaus.

CHUCK AXTMAN stated that he did not think so. The cardholder would have to notify his card issuer to have express authority.

PARRELL GROSSMAN, Attorney General's Office, testified as neutral of SB2352. This bill may need some amendments added.

SENATOR TRAYNOR asked if any other states have a statute like this one.

PARRELL GROSSMAN stated he did not know.

SENATOR STENEHJEM CLOSED the hearing on SB2352.

February 8, 1999 - Tape 1, Side 2

Discussion.

SENATOR WATNE made a motion for DO NOT PASS, SENATOR TRAYNOR seconded.

Motion carried.

SENATOR TRAYNOR will carry the bill.

6 - 0 - 0

Date: 2-8-99
 Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2352

Senate Judiciary Committee

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Watne Seconded By Traynor

Senators	Yes	No	Senators	Yes	No
Senator Wayne Stenehjem	X				
Senator Darlene Watne	X				
Senator Stanley Lyson	X				
Senator John Traynor	X				
Senator Dennis Bercier	X				
Senator Caroloyne Nelson	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Traynor

REPORT OF STANDING COMMITTEE (410)
February 8, 1999 1:16 p.m.

Module No: SR-25-2171
Carrier: Traynor
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2352: Judiciary Committee (Sen. W. Stenehjem, Chairman) recommends DO NOT PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2352 was placed on the Eleventh order on the calendar.

1999 TESTIMONY

SB 2352

Mike Lefor
SB 2352 Testimony
Senate Judiciary Committee
January 26, 1999 10:00 AM

Good Morning, Chairman Stenehjem and members of the Senate Judiciary Committee.

My name is Mike Lefor and I am the legislative director Associated Credit Bureaus of North Dakota. Our association opposes this legislation because of the negative impact it would have on the consumer credit reporting industry and to consumers in general.

First, I would like to explain the credit reporting process. National, Regional and Local credit grantors send their information to consumer credit reporting agencies on a monthly basis. This information is then entered onto the persons credit report. This includes identifying information such as name, address, city, state, zip code and customer account number.

This information helps to properly identify the individual and get their information onto the correct credit report. This bill would adversely affect the industry in many ways, I would like to give a couple of examples:

1. A student loan is sold to another lending institution. Absent the account number to cross check against the previous information from the first institution, we cannot show the old information as closed or sold. This is an accuracy issue.
2. A consumer disputes information with a consumer reporting agency. Absent full account numbers, we will have great difficulty in communicating the dispute to the creditor since they may have several John Smiths with similar addresses or other identifying information. Many creditors require the full account number in the reinvestigation process. This is a serious compliance issue with the Federal Fair Credit Reporting Act. The FCRA requires that we investigate the rating in the file, and, if we do not have account number information, it would make it difficult to comply with federal law.

3. A credit card account is included in bankruptcy. Absent full account information it is nearly impossible for the bureau to properly code account tradelines in the file so they are marked as part of a bankruptcy. This is a serious compliance issue, as well.

4. A consumer requests a copy of his or her file. Absent full account numbers, we cannot use this as a cross check to ensure that we are not releasing the file to a perpetrator of fraud. Account numbers are frequently used to ensure credit bureau compliance with the Federal Fair Credit Reporting Act Section 610 which requires that we obtain "proper identification" before releasing the file.

5. May make it more difficult for consumers to obtain credit. When credit bureaus are putting mortgage credit reports together, we must have updated information on credit cards, etc. This requires us to call the credit card companies to get the updated balance and ratings. If we do not have account numbers on the file, the credit card companies, in most cases, will not give us the updated information, therefore, we would be required to delete the information from the file because we cannot update the information and, in some cases this may mean the difference between a consumer obtaining credit or not.

In speaking to representatives of our national trade association, the Associated Credit Bureaus of America, they also added a couple of more points to consider.

1. This may prevent the development of internal fraud prevention systems that cross-check card number data against transactions made.

2. Card fraud is at its lowest level ever according to data by VISA and Mastercard. The technologies employed are working.

3. "Card numbers are not sold by VISA or Mastercard or the card issuing banks since these numbers are part of the system of fraud prevention."

In summary, because of the concerns which I have raised, our association asks the Senate Judiciary Committee for a "do not pass" recommendation. Thank you.

90735.0100

oppose

Fifty-sixth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2352

Introduced by

Senator Naaden

*hearing Tues. 1/26 10:00 am
Lincoln
Rm*

1 A BILL for an Act to create and enact a new section to chapter 51-14.1 of the North Dakota
2 Century Code, relating to disclosure of credit card account numbers; to amend and reenact
3 section 51-14.1-05 of the North Dakota Century Code, relating to the penalty for disclosing
4 credit card account numbers; and to provide a penalty.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** A new section to chapter 51-14.1 of the North Dakota Century Code is
7 created and enacted as follows:

8 Credit card account numbers. A card issuer may not ^{knowingly} disclose a cardholder's credit
9 card account number to any person, ~~except to that cardholder and to any person with express~~
10 ~~authority from the cardholder to receive that cardholder's credit card account number.~~

11 **SECTION 2. AMENDMENT.** Section 51-14.1-05 of the 1997 Supplement to the North
12 Dakota Century Code is amended and reenacted as follows:

13 **51-14.1-05. Penalty.** Any person who violates any provision of sections 51-14.1-03
14 through 51-14.1-05 or section 1 of this Act is guilty of an infraction.

OPPOSE

must disclose to:
billing agent
subsidiary
fulfillment house
shipper
credit reporting agency



RON NESS • PRESIDENT

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To: Senate Judiciary Committee

From: Ron Ness, ND Retail Association

RE: SB2352 - Credit card holders account number

Date: February 1, 1999

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TRACY SIPMA
COUNTRY GENERAL STORE, DICKINSON

RON THOMPSON
SIOUX CYCLE, MANDAN

Originally, my reaction was "why would a retailer give out a cardholder's account number? - since they are liable for charges not approved." Since the hearing on this bill, I have contacted several ND retailers and have new concerns about the impact on ND retail business.

Retailers have provided the following reasons for allowing access to card numbers, I had not considered any of these reasons:

- Computer software companies in the design of Y2K software and other programming changes.
- Reports to credit bureaus.
- Accountants in the preparation of various compilations on credit.
- Some retailers contract with firms for credit billing and processing payments.
- Affiliates or subsidiaries (Dayton's/Target, Sears/Western Auto, etc..)
- Outside collection agencies.
- Supeanas and summons in legal collection of debts.

These are just a few immediately brought to my attention. Amendments trying to address all the potential rational for giving out a card number would be virtually impossible.

I have contacted the credit bureau and they are in contact with Citi-Bank in SD. We are going to find out what happened with Mrs. Seeklander's situation. I will report back to the committee as soon as I receive more information. I also spoke with the AG's Consumer Fraud Division, they have never had a complaint on this issue. I am concerned that legislation is being consider for an isolated instance, that legislation could have a negative impact on the regular day to day operations of ND businesses. In addition, credit is a national issue, passage of new laws in ND will only impact ND businesses extending credit not any out-of-state company calling on ND citizens.

I urge you to make a do not pass recommendation on this bill. At the very least amendments attempting to protect the normal business operations of ND companies should be considered.