

By: Riddle

H.B. No. 379

A BILL TO BE ENTITLED

AN ACT

relating to the use of the credit score of a consumer who does not have debt for certain purposes; providing penalties.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter D, Chapter 35, Business & Commerce Code, is amended by adding Section 35.62 to read as follows:

Sec. 35.62. USE OF CREDIT SCORE OF CONSUMER WHO DOES NOT HAVE DEBT FOR NONCREDIT PURPOSES. (a) In this section:

(1) "Adverse action" includes:

(A) the denial of, increase in a charge for, or reduction in the amount of goods or services, including insurance coverage, sought by a consumer; and

(B) an action or determination with respect to a consumer's employment that is adverse to the consumer's interests.

(2) "Consumer" means an individual who resides in this state.

(3) "Credit information" means any credit-related information that is derived from a credit report or provided to a business in an application for credit and that bears on a consumer's creditworthiness, credit standing, or credit capacity.

(4) "Credit score" means a number or rating derived from an algorithm, computer application, model, or other process that is based on credit information and used to predict a consumer's creditworthiness or credit capacity.

1 (b) A business may not take an adverse action against a
2 consumer because of the consumer's credit score, other than a
3 determination with respect to a consumer's application for credit
4 or another action in connection with a loan transaction, if:

5 (1) the consumer does not have debt; and

6 (2) whether the consumer has debt was a factor in
7 computing the consumer's credit score.

8 (c) To the extent permitted by other law, a business may
9 take an adverse action against a consumer described by Subsection
10 (b) if the business considers available credit information other
11 than the consumer's credit score or lack of debt.

12 (d) A business commits an unlawful employment practice
13 subject to administrative review by the Texas Workforce Commission
14 civil rights division under Subchapter E, Chapter 21, Labor Code,
15 if the business violates this section with respect to the
16 employment of a consumer.

17 (e) An insurer to which Article 21.49-2U, Insurance Code,
18 applies commits an unfair practice in violation of Chapter 541,
19 Insurance Code, and is subject to sanctions under Chapter 82,
20 Insurance Code, if the insurer violates this section in connection
21 with the provision of insurance coverage to a consumer.

22 (f) A person commits an offense if a person violates this
23 section, other than in connection with the employment of a consumer
24 or the provision of insurance coverage to a consumer. An offense
25 under this subsection is a Class B misdemeanor.

26 SECTION 2. This Act takes effect September 1, 2005.