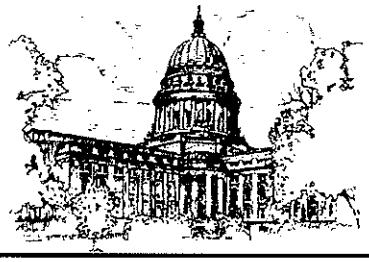
JIM SULLIVAN
STATE SENATOR



5TH SENATE DISTRICT

Wisconsin State Senate

Testimony of Senator Jim Sullivan on SB 275/AB 502
November 13th, 2007

Thank you to committee members for addressing the Mortgage Privacy Protection Act. This bill, authored by myself and Representative Newcomer, is about protecting the private information of consumers who utilize Wisconsin financial institutions. The bill has almost 50 bipartisan co-sponsors from all across the political spectrum. This is the type of bipartisan bill that the legislature should be interested in, and I am very excited that the Assembly has already passed it.

Currently, consumers who apply for a mortgage through a financial institution or a mortgage broker are increasingly experiencing the hassle know as the "Trigger Lead." This practice occurs when a consumer submits a credit application with a lender and the consumer-reporting agency then sells that information to a third party. The third party then proceeds to contact the consumer to attempt to get them to finance the loan through their organization. These trigger leads typically include personal information such as address, telephone numbers, age, income and home value.

In an effort to protect consumers from these privacy violations, we introduced the **Mortgage Privacy Protection Act**, Senate Bill 275 and Assembly Bill 502. The bill defines "trigger lead" as information relating to a consumer that is furnished by a consumer-reporting agency or personal data provided to a nonaffiliated third party if all of the following apply:

1.) The consumer has applied to the lender, other than the third party to which the information is furnished, for an extension of credit and the lender has provided the consumer's credit application to a consumer-reporting agency.

2.) Information provided to third party includes consumer's name and address

3.) The consumer has not authorized the consumer-reporting agency to provide the information to the third party and has not initiated any credit transaction with the third party.

It seems that more and more, personal information about consumers is readily available for all sorts of companies to solicit people with offers these citizens neither asked for nor want. If a bank needs to check credit information on a customer, then they should have the ability to do that. However, that action should not give other companies an open invitation to incessantly call that consumer with new offers. Personal information should be used for a specific purpose, not for sales pitches. We are closing this hole in consumer protection law because this practice does not stem from the original intent of the consumer, which was simply to apply for a loan through a specific company. Thank you for your attention, and I will now take questions from committee members.

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TO: Members, Senate Veterans and Military Affairs, Biotechnology and Financial Institutions Committee

From: Amy L. Boyer, on behalf of
Wisconsin Mortgage Bankers Association

Date: Tuesday, November 13, 2007

RE: Support for SB 275

The Wisconsin Mortgage Bankers Association, a statewide association consisting of over 400 real estate finance professionals, including traditional mortgage bankers, mortgage brokers, title company representatives and members from the mortgage insurance industry, strongly supports SB 275 – the mortgage privacy protection act.

This intent of this bill is to protect Wisconsin consumers by regulating the practice and dissemination of information through what is often referred to as "trigger leads." These trigger or mortgage lead lists have become increasingly common and more of a nuisance throughout the real estate finance industry.

When a consumer applies for a mortgage or other residential loan product, the lender typically pulls a credit report. The credit reporting agency then sells the information to a third party, which many times contain personal financial data – including name, address, phone number, credit score, home value, revolving accounts balance amount, loan to value ratio, past dues, age, and annual income. These third parties either solicit the consumer directly, or market and re-sell the lists to multiple lenders who then solicit the consumers without disclosing how they obtained the information.

These third parties, who know very little about the original transaction, can often propose enticing terms for which the consumer may or may not qualify and then place them in a product that is not always in their best interest.

Often, and incorrectly, the consumer believes that the original lender sold their information which in turn creates a sense of mistrust and may result in the termination of the transaction.

While the WMBA encourages consumers to shop around for the best loan product for their personal financial needs, we believe it should be on the consumers terms, not a third party lender that bought the consumers personal data with the intention of compromising the relationship established with the original lender.

The WMBA believes that this bill is an important step in ensuring that a consumer's financial privacy is maintained and respectfully urge you to support SB 275.

Thank you.

State of Wisconsin
Jim Doyle, Governor

Department of Agriculture, Trade and Consumer Protection
Rod Nilsestuen, Secretary

November 13, 2007

Senator Jim Sullivan
Chair
Senate Committee on Veterans and Military Affairs,
Biotechnology and Financial Institutions

Re: SB 275 – Regulating the Furnishing or Use of Consumer Loan Information

Dear Senator Sullivan:

Thank you for the opportunity to testify on SB 275. We support the legislation.

In 2006, Governor Doyle created the Wisconsin Office of Privacy Protection (OPP) as a part of the Division of Trade and Consumer Protection at DATCP. The purpose of the OPP is to assist in the effort to stem the tide of identity theft which the FBI has called the fastest growing crime in the country. Identity theft is not only devastating to those whose identities have been stolen, but also to legitimate and honest businesses that, like consumers, bear the financial brunt of this crime.

Identity theft is frequently a crime of opportunity committed by those who have or gain access to the personal information of others. If identity thieves could not obtain personal information, the crime would not exist. Therefore, a major thrust of OPP and all others who are fighting this crime is to protect personal information from being released to others without adequate safeguards and without the express knowledge and consent of the consumers.

For the most part, consumers must protect themselves by taking steps to ensure that their information is not made available to others without their express knowledge and consent. No law can relieve consumers of this responsibility.

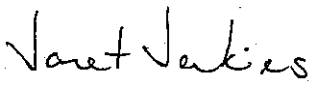
With that said however, laws can help consumers to protect themselves and SB 275 is one such law. Credit reporting agencies serve an important purpose in our economy since without them, few, if any, lending institutions would be willing to provide the funds needed to purchase a home or a car or obtain financing for any number of other purposes.

Despite this laudable goal, credit reporting agencies also engage in practices that make consumers more likely to become victims of identity theft. One such practice is selling the personal and financial information of consumers gained through the request of a lender for a credit report. Typical consumers are unaware of this practice and are amazed and usually angry

when they are contacted by others who have obtained their information from a credit reporting agency. They are angry because they think the information contained in their credit report will only be provided to those to whom they give express consent. They are also angry because they have no idea who or how legitimate these third and subsequent parties are, and parties will use their information.

SB 275 puts reasonable limitations on the distribution of consumers' personal information by credit reporting agencies. It also gives consumers greater assurance that they will not become the victim of identity theft simply by applying for credit. We think the purpose of SB 275 is laudable and we support it.

Respectfully,



Janet Jenkins
Administrator
Division of Trade and Consumer Protection

WISCONSIN BANKERS ASSOCIATION

Testimony of the Wisconsin Bankers Association
Michael Semmann, Director Government Relations

Senate Committee
on
Veterans and Military Affairs, Biotechnology and Financial Institutions

November 13, 2007

Testimony in support to Senate Bill 275/AB 502

Chairman Sullivan and members of the Committee:

Thank you for the opportunity to testify on behalf of the Wisconsin Bankers Association (WBA) regarding Senate Bill 275/Assembly Bill 502. My name is Michael Semmann, Director Government Relations for WBA. The Wisconsin Bankers Association is the state's largest financial industry trade association, representing 300 commercial banks and savings institutions, their nearly 2,300 branch offices and 28,000 employees.

Working with a broad coalition, Senator Sullivan crafted Senate Bill 275/Assembly Bill 502 to accomplish the goal of defining and regulating the dissemination and use of trigger lead information under the federal Fair Credit Reporting Act. This was no small task given federal regulations and a recent court case in Minnesota that determined certain information and practices were pre-empted under Federal law.

SB 275/AB 502 is one of the best models for regulation of trigger leads that we have seen throughout the country. It creates a level playing field for all businesses while protecting consumer information.

With me today is Ian Kopp of Northwester Bank in Chippewa Falls. Ian will describe his experience with the use of trigger lead information at his community bank.

The Wisconsin Bankers Association respectfully asks you to support SB 275/AB 502 and I thank you for consideration of our request. I would be happy to answer any questions.

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