

**THE NATIONAL ASSOCIATION OF
STATE UTILITY CONSUMER ADVOCATES**

RESOLUTION 2010-3

**OPPOSING “FULL CREDIT REPORTING” OF PAYMENT HISTORIES ON
RESIDENTIAL GAS AND ELECTRIC ACCOUNTS**

1 *Whereas*, the National Association of State Utility Consumer Advocates (“NASUCA”)
2 has a long-standing interest in issues and policies that affect the access of residential
3 consumers to gas and electric services, which are basic necessities of life in modern
4 society; and

5 *Whereas*, the credit reporting industry and others, through proposed legislative and
6 regulatory changes and otherwise, seeks to implement a practice known as “full credit
7 reporting,” under which gas and electric utilities would regularly advise credit reporting
8 agencies of the month-by-month payment behaviors and histories of residential gas and
9 electric consumers;¹ and

10 *Whereas*, proponents of full credit reporting also seek to preempt the authority of the
11 states to regulate the credit reporting and collection practices of gas and electric utilities;
12 and

13 *Whereas*, proponents argue as a justification for full credit reporting that it helps low-
14 income and other households establish a credit history and thus improve their access to
15 credit;² and

16 *Whereas*, although proponents further claim that full credit reporting “can direct markets
17 toward a faster alleviation of poverty in this country,” the research used to support this
18 claim focuses narrowly on the fact that a number of consumers who cannot presently be
19 “scored” could be scored with full credit reporting, and thus gain access to credit, but
20 without considering the broader realities that low-income and some other households
21 commonly face in seeking to meet their energy needs and their financial responsibilities
22 and without considering the broader realities that low credit scores pose for low-income
23 and some other households;³ and

¹The Political and Economic Research Council (PERC at www.infopolicy.org), the Center for Financial Services Innovation (CFSI at www.cfinnovation.com), and the Corporation for Enterprise Development (CFED at www.cred.org) seek support for and amendments to the Fair Credit Reporting Act (FCRA) to allow for “full credit reporting.” See CFSI News Release, “CFSI, PERC, and CFED seek your support of an Alternative Data Initiative,” July 2009 (<http://www.cfsinnovation.com/news/article/330637>); PERC, “NCLC Supports the ‘3 Ps’ of Lending: Pawn Shops, Predatory Lenders, and Pay Day Lenders” (http://perc.net/files/alt_data_dis_paper1.pdf).

²Turner, Varghese, Walker and Dusek, Political and Economic Research Council, “Credit Reporting Customer Payment Data: Impact on Customer Payment Behavior and Furnisher Costs and Benefits” (March 2009) (http://perc.net/files/bizcase_0.pdf).

1 *Whereas*, in actuality, for reasons stated in part in this resolution, full credit reporting
2 poses a new and profound threat to the well-being of both low-income consumers and a
3 wide swath of consumers who are not low income but who for reasons including illness
4 and layoff are not always able to make gas and electric payments on time; and

5 *Whereas*, credit scores are widely used by creditors and insurance companies to make
6 decisions regarding the provision and pricing of their services, by prospective employers
7 to make decisions regarding the hiring of employees, and by prospective landlords to
8 make decisions regarding the leasing of residential property; and

9 *Whereas*, the financial difficulties faced by consumers in paying gas and electric bills on
10 time have been exacerbated in recent years by deep recession and high unemployment;
11 and

12 *Whereas*, a single late payment report adversely affects a credit score by 60 to 110
13 points;⁴ and

14 *Whereas*, at the present time, the vast majority of gas and electric utilities have a practice
15 of limiting credit reporting to seriously delinquent accounts which have been terminated
16 and referred to a collection agency or written off as uncollectible;⁵ and

17 *Whereas*, the present practice of limited credit reporting appropriately reflects and
18 advances, while full credit reporting would inhibit and thwart, a host of public laws and
19 policies that the states have implemented and embraced as a part of the safety net for their
20 people, including laws and policies concerning billing, collections, security deposits,
21 termination practices and customer service activities, and including such vital protections
22 as winter moratorium on disconnection of service for low-income consumers and
23 mandatory alternative payment plans on certain accounts that are not current;

24 ***NOW THEREFORE, BE IT RESOLVED***, that NASUCA opposes full credit reporting
25 on residential gas and electric accounts and urges state and federal policy-makers to
26 prohibit the practice.

27 ***BE IT FURTHER RESOLVED***, that NASUCA supports the continuation of full state
28 legislative and regulatory jurisdictional authority over gas and electric billing, collection,
29 customer service and credit reporting activities, including but not limited to the reporting
30 of customer payment history to credit reporting agencies; and

³Turner, Lee, Schnare, Varghese, Walker, Political and Economic Research Council and
Brookings Institution Urban Markets Initiative, "Give Credit Where Credit Is Due" (2006)
(http://perc.net/files/downloads/alt_data.pdf).

⁴Simon, "FICO reveals how common credit mistakes affect scores" (November 13, 2009)
<http://www.creditcards.com/credit-card-news/fico-credit-score-points-mistakes-1270.php>

⁵Varghese and others, note 3 above, p. 12.

1 **BE IT FURTHER RESOLVED**, that NASUCA urges, should a state authorize credit
2 reporting on residential gas and electric accounts, that the authorization be limited to the
3 reporting of seriously delinquent accounts which have been terminated and referred to a
4 collection agency or written off as uncollectible; and

5 **BE IT FURTHER RESOLVED**, that NASUCA urges, should a state authorize full credit
6 reporting on residential gas and electric accounts, that the authorization, consistently with
7 the stated purpose of full credit reporting to help establish a consumer's credit history and
8 improve the consumer's access to credit, be subject a consumer "opt-in" requirement.

Submitted by:

NASUCA Gas Committee and
NASUCA Consumer Protection Committee

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San Francisco, CA