

Full Utility Credit Reporting: Risks to Low Income Consumers

National Association of
Regulatory Utility Commissions

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Traditional Uses of Credit Scores

- Purposes
 - Assessment of risk
 - Determination of whether to provide service
 - Determination of charge for service (e.g. APR)
- Applications
 - Mortgages
 - Auto Loans
 - Credit Cards
 - Insurance

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Nontraditional Credit Information

- Utility Payment Information
 - To date, mostly telecom companies
- Rental Payments
- Predatory Credit Reporting
 - Rent to own stores
 - Payday lenders
 - Finance companies

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Full Utility Credit Reporting to Credit Bureaus

- Telecommunications Utilities
 - Unregulated cell phone companies
 - Some landline carriers
- Electric and Gas
 - Vast majority of regulated electric and natural gas utilities report only when an account is written off as bad debt or referred to collection agency

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Full Utility Reporting: Proponents' Objectives

- Advocates
 - Create credit records for “thin file” and “no file” consumers
- Some Utility Companies
 - Reduce credit risk; Move utility bills to top of customers' “to pay” piles
- Credit Bureaus
 - Lots of new business!!

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Electric and Natural Gas Utilities

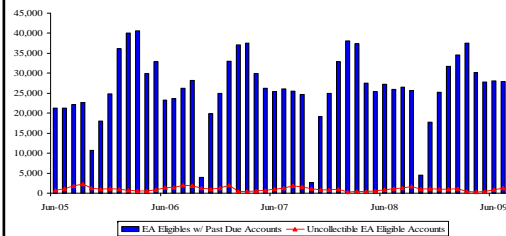
- Vast majority report only when an account is written off as uncollectible and goes to collection agency
- Only a tiny fraction of accounts in arrears are written off as uncollectible
- Detroit Edison and Nicor Gas are exceptions to the rule.

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Full Utility Reporting: Risks to Low Income Households

- Customers who sometimes pay a little late would have new adverse credit transactions recorded
- Millions of low income customer accounts in arrears are not written off as bad debt
- The “stick” of credit reporting runs counter to policy objectives of shutoff moratoria

Iowa Electric and Natural Gas Utilities: Energy Assistance Accounts Past Due and Energy Assistance Accounts Written off as Uncollectible



MA June 2009 - Electric and Gas Utility Arrears over 60 days and accounts written off as uncollectible

		Electric	Gas
General Residential	Arrears 60+	16%	17%
	Written off	0.4%	0.6%
Low Income Discount	Arrears 60+	25%	32%
	Written off	0.5%	0.7%

Notes: One-month snapshot, not cumulative; Some general residential customers are eligible to receive the discount, but are unenrolled; MA tracks arrears at least 60 days old, but financial reporting to credit bureaus is 30+; Greater proportion of late payers would thus be reported than those reflected here.

Low Income Risks (cont)

- Households already report cutting back on other necessities to pay utility bills
- Among LIHEAP Participants in 2008
 - 32% went without food for at least one day
 - 42% went without medical or dental care
 - 38% did not fill a prescription or took less than the full dose of a prescribed medicine
- The “stick” of full reporting to credit bureaus will only make this dynamic worse

Credit Reporting and Low Income Elderly

- Elderly on fixed incomes tend to pay timely but sometimes make a partial payment or take advantage of state serious illness protections
- Most elderly consumers have established credit and do not need to begin building a credit history

Why are low income utility customers sometimes late?

- Seasonal variation in payments
- Price volatility and unexpected billing increase
- Income and expenses simply don’t match up!

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Estimated 2005 Monthly Expenses: 2-Person Adult Household, Marion County, IN

Housing	\$546.11
Childcare	\$0.00
Food	\$376.11
Transportation	\$452.82
Health Care	\$247.49
Miscellaneous	\$162.25
Taxes	\$330.47
Income Required to Meet Expenses	
Hourly Wage	\$12.02
Monthly Wage	\$2,115.24
Annual Wage	\$25,382.86
200% HHS Poverty Guideline – 2 person household	\$25,660.00

SOURCE: The Self-Sufficiency Standard for Indiana ©2005 Diana Pearce, Wider Opportunities for Women, and Indiana Coalition on Housing and Homeless Issues, Inc.

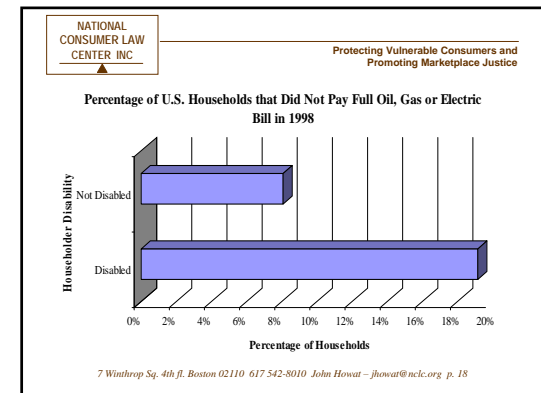
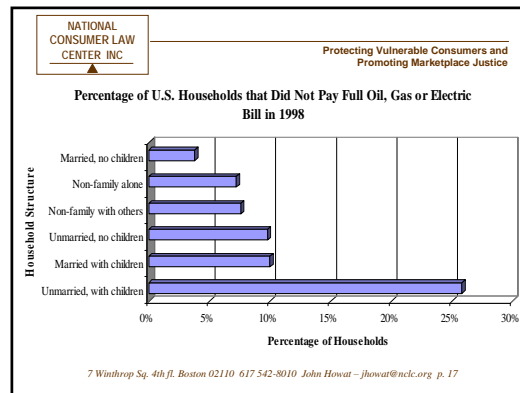
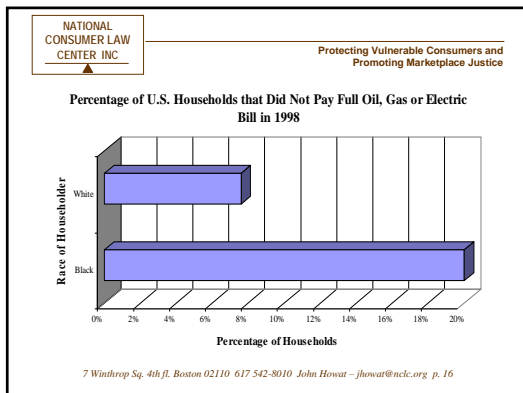
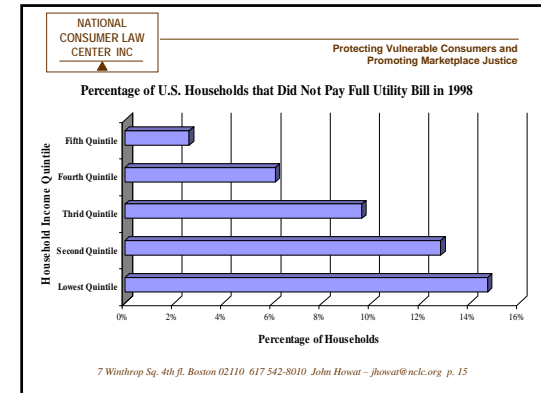
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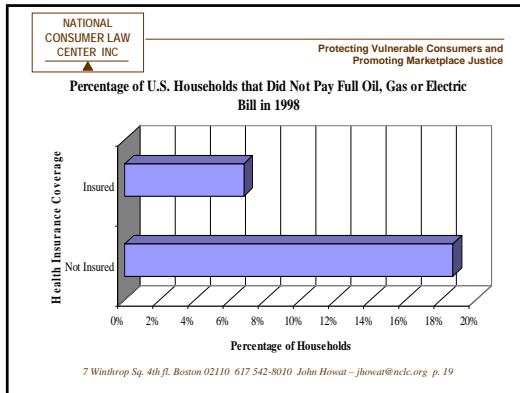
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Full Utility Credit Reporting: Disproportionate Harm to Payment Troubled Customers

- Low income
- Race
- Disability
- Household Structure

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- ### Ability to Pay Varies Widely in States – Fairness and Consistency of Reporting
- Variable availability of federal and non-federal payment assistance and energy efficiency resources
 - Widely variable customer service rules and consumer protections
 - Bill payment timeframe
 - Shutoff protections
 - Protection certification procedures
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- ### General Credit Scoring Concerns
- Appropriateness
 - Nature of Utility Service
 - Reliability/Accuracy
 - Transparency
 - Proprietary Black Box
 - Discriminatory
 - Notification
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- ### Opt-In: Low Income Advocates' Compromise Position
- *Rather than mandating full utility credit reporting, let customers who wish to build credit histories opt-in to reporting programs.*
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