September 12, 2012

The Honorable Jim Renacci
130 Cannon House Office Building
Washington, DC 20515

Dear Congressman Renacci:

The undersigned consumer, civil rights and advocacy groups write to you to express our concerns about H.R. 6363, and the issue that it promotes – full file utility credit reporting. This practice will add millions of new negative reports to the credit reporting system and we fear that it may harm many consumers. It also may undermine long-standing protections developed by state utility commissions across the country to protect consumers when utility bills spike during weather extremes. Full file utility credit reporting could also hurt job seekers when employers use credit reports, and consumers when they buy home or auto insurance.

For these reasons, we believe there are significant concerns about the use of full file utility reporting data. We do not oppose permitting consumers to voluntarily opt-in to full file utility credit reporting. But we are very concerned about the effects of full file utility credit reporting that is not voluntary for consumers.

Proponents claim that reporting utility payments will help improve the credit reports of tens of millions of consumers. However, their statistics are based on data regarding the very few electric and natural gas utilities that do fully report on a regular basis and do not appear to be representative of payment patterns in different states and regions. For example, proponents claim that fewer than 3% of consumers earning $50,000 or less annually have a single 60-day late utility payment during a one-year period. Yet data filed with or from utility regulators in a number of states indicates the percentages of utility consumers paying late is much higher – from 11% in California to 20% in Massachusetts to 21% in Ohio. Thus, to the extent that utility reporting creates a score for "thin file" or "no file" consumers, we fear that it will end up being a bad credit score.

Proponents assert that a low credit score is better than no score. They state "the low score is a powerful protection against over-extension and irresponsible lending." We believe that this assumption is wrong: a low score can affirmatively harm consumers. A low score can put a target on the consumer's back for predatory lenders such as fee-harvester credit cards, who rely on pre-screened lists of consumers with bad credit.

Furthermore, credit scores and reports are not solely used for lending decisions. Many employers use credit reports in hiring and other employment decisions. In such cases, it is far worse for a worker if the employer sees a credit report with negative information (such as report consisting of single utility account with repeated late payments) than one with no information.

Also, insurance companies use credit scores when determining whether to approve applications and what prices to charge consumers. This is another instance in which not having a credit history is less harmful than having a bad history, as the absence of a credit score is treated as "neutral" in many states.

The National Association of State Utility Consumer Advocates voted to oppose full file utility credit reporting[1] in part because it conflicts with utility consumer protections in many states. For example, the "Winter Moratoriums" in several cold weather states prohibit utilities from disconnecting service during the winter months when there is financial hardship. The Winter Moratorium recognizes that financially stretched households may have difficulty paying their bills during the expensive hearing months, but will eventually catch up during the summer. Full utility credit reporting, by threatening consumers with black marks on their credit reports even when state law was designed to give them some breathing room, would operate in conflict with the policy objective of the Winter Moratorium.

Thank you for your attention. If you have any questions about this letter, please contact John Howat (jhowat@nclc.org) or Chi Chi Wu (cwu@nclc.org) at (617) 542-8010.

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[1] National Association of State Utility Consumer Advocates, Resolution 2010-3: Opposing "Full Credit Reporting" of Payment Histories on Residential Gas and Electric Accounts, June 15, 2010, *available at* www.nasuca.org/archive/Full%20Credit%20Reporting%20Resolutiong%20FINAL%202010-3.doc.

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