COMMENTS ON THE FOLLOWING LEGISLATION
Governor's Bill No. 7030
Before the Committee on Banking
March 2, 2017

This proposal would completely eliminate credit reporting for any Verizon customer that stops paying for services or is behind on payments for services. As a result, this proposal will create an opportunity for customers to simply ignore bill notices and it will take away a key incentive individuals have to pay their bill on time since it will not impact their credit rating.

Under existing law, Verizon and other utility companies are allowed to report delinquent accounts to credit agencies, but must first wait 60 days before doing so and provide written notice to customers via first class mail that delinquent accounts can impact their credit rating.

Consumer reporting agencies serve an important function by allowing businesses that extend credit to their customers to avoid bad-debt costs and by preventing consumers, in a competitive market, from accumulating unpaid debts at each step of the way. In that way, information obtained from consumer reporting agencies reduces bad-debt costs that would otherwise have to be passed on to consumers who do pay their bills. This system relies on the ability of such business to furnish such information to credit reporting agencies in the first instance. Further, consumers who know that their credit scores will be reported will be less likely to default on payments; conversely, consumers who feel secure that such data will not be reported will be more likely to believe that moving to another provider is an acceptable alternative to paying bills.

Because the practice of credit reporting creates a potential for abuse, federal and state laws were adopted that have rigorous requirements relating to fair credit reporting practices.

The troubling reality is that tens of millions of individuals in the United States do not have any credit history (“no-scores,” in industry parlance), or else have only minimal or outdated information (“thin files”). Such under-served consumers are concentrated among minorities, the poor, low-income individuals, the elderly, recent widows and new immigrants. Nevertheless, such individuals generally utilize utility services and pay utility bills, and thus have a basis for industry-specific credit scoring. The use of non-traditional (i.e., non-financial) credit data
enables customers with a low risk of default to be identified, notwithstanding the lack of more traditional credit-history data. Utility data is particularly helpful in this respect.

Verizon submits that the evolution of local exchange telecommunications to a fully competitive market over the last seventeen years ought to warrant the elimination of any special restrictions on credit reporting that is envisioned by this legislation. As such, Verizon should be governed in this area only by the state and federal fair-credit reporting laws and regulations that are applicable to businesses and not as a regulated utility. Those laws provide substantial protections for consumers, while allowing businesses to take reasonable measures to protect their right to receive payment for goods or services rendered.

Lawmakers must recognize that competitive companies like Verizon need the ability to screen for risky customers. They must also be provided the opportunity to recover bad debt. In a monopoly/rate of return environment, traditional utilities, like electric and gas companies, can collect bad debt from ratepayers in a rate case. These companies affected by the legislation still have the ability to raise rates to offset the uncollectible revenues created by the loss of ability to report risky customers to credit agencies. In the competitive environment which Verizon operates in, where prospective customer risk can only be gauged through a system that allows careful dissemination and use of consumer information, this isn’t an option. Accordingly, the bill should be amended to delete “telephone company” and “certified telecommunications provider.”

If the bill is not amended as respectfully suggested, then we urge that the Governor’s bill 7030 not advance this session.