



For Immediate Release

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States Should Not Restrict Energy Utility and Telecoms Data

Chapel Hill, N.C., June 7, 2007 - PERC has been working on the issue of non-traditional data and consumer credit reporting since 2003. This effort, known as the Alternative Data Initiative (ADI) has grown considerably over the years. PERC and its partner the Brookings Institution Urban Markets Initiative recently released a groundbreaking empirical study documenting the impacts upon the American thin-file and no-file population from using energy utility and telecoms data in consumer credit reports.

The PERC/Brookings UMI study found that lower income borrowers, younger and elderly Americans, and members of ethnic minority communities all saw dramatic increases in their access to affordable, mainstream credit. Lenders, similarly, were able to grow their market size without taking on any undue risk.

Despite the overwhelming evidence that this data not only has the potential to reduce the cost of being poor for millions of Americans, and offers a low-cost, market-based solution to financial exclusion that constrains the asset building capacity of an estimated 35 to 54 million Americans, state lawmakers in several states have recently introduced legislation that would prohibit the use of non-traditional data in credit reporting. This would compound matters in the states as four states (CA, NJ, OH, TX) already have some form of statutory prohibition on the onward transfer of energy utility or telecoms customer data to third parties.

Further, at least one major telecoms firm has discontinued fully reporting customer payment data to the three national credit bureaus (interestingly, they continue to report negative payment data) owing to a strict interpretation of the privacy clause (Section 222) of the Telecommunications Act of 1996 (TA96). TA96 permits reporting to the credit bureaus, but the service provider has suggested the intent of Congress was only to permit the reporting of negative payment data (delinquencies, defaults, etc.) as that was the prevailing practice at the time.

The justifications for these data restrictions vary across states. In Illinois, for example, the restriction on the use of utility data in credit scoring is an attempt to provide some form of relief from an energy utility rate re-adjustment after a 10 year rate freeze. This was a

train-wreck that was a decade-long in coming and state legislators did nothing to avert it. Now that prices have spiked (appropriately, after having been frozen for ten years), lawmakers are scrambling to prevent any further pain and suffering (apart from that which will be experienced each month when the bill arrives).

No one wants to see people caught in hardship. However, the Illinois bill, should it become law, threatens to roll back the gains made by many thousands of Illinois residents who were able to build equity and assets as a direct result of having energy utility payment data fully reported to TransUnion.

For this reason, PERC opposes any legislation that would prohibit the use of energy utility and telecoms payment data in credit files, credit reports or credit scores. PERC calls upon state lawmakers to proactively pass legislation permitting utility companies and telecoms firms to fully report customer payment data to consumer reporting agencies (CRAs) should they be so inclined.

Over the next two years—PERC, its partners (Brookings UMI, the Center for Financial Services Innovation, and Wallace Enterprises), and its supporters will work with energy utility and telecoms firms to exhort them to report fully to CRAs. They will continue their efforts to educate the lending community as to the potential opportunities tied to the use of non-traditional data in risk assessment, and will engage lawmakers and regulators in the states and in Washington DC in an effort to remove any statutory and regulatory barriers to the reporting of non-traditional data to CRAs.

I encourage you to read the PERC policy brief located on our website (http://www.infopolicy.org/publications/ADI_II_Policy_Brief.pdf) to learn more about this important issue. If you or your firm are interested in learning more about our Alternative Data Initiative, please do not hesitate to contact PERC.

About PERC:

The Political and Economic Research Council (PERC) is a non-profit, non-partisan think tank devoted to research, public education and outreach on public policy matters. PERC's goal is to educate and engage policy makers, consumers, the financial/economic community and the larger public, in the firm belief that a better-informed public makes better decisions. Areas of expertise include information policy, credit access and the global information economy. PERC is funded by both for-profit and not-for-profit organizations that support PERC's general mission.

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