

## **BILL ANALYSIS**

C.S.H.B. 412  
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Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Credit scoring and credit history are used by many institutions and industries to determine service approval and/or costs. Evidence shows that credit scoring and credit history unfairly target minorities. The critical need for telecommunication and electric services makes the use of credit scoring and credit history in denying service an especially severe and potentially dangerous policy.

The purpose of C.S.H.B. 412 is to prohibit the use of credit scoring and credit history in the denying or pricing of service to a buyer or potential buyer of basic local telecommunications and retail electric services. In this bill, credit history is explicitly defined as not including an individual's outstanding balance for retail electric service or telecommunications service, so this bill will not protect those who are "gaming" the system. This bill is meant to ensure fair pricing and service in the telecommunications and electric industry for people throughout the economic spectrum.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 412 will prohibit the use of credit scoring and credit history in the denying or pricing of service to a buyer or potential buyer of retail electric services. However, C.S.H.B. 412 will allow competitive retail electric providers to use utility payment data in determining who will receive service until the price to beat provision expires. After the price to beat provision expires, the use of credit history, credit score, or utility payment data in the denying or pricing of service to a buyer or potential buyer of retail electric services will be strictly prohibited on all contracts for one year or less.

Once the price to beat provision expires, in lieu of utility payment data, credit history or credit scores, the retail electric service providers will be allowed to use the applicant's electric payment history as a means to deny service. Additionally, there is no limit on the ability of a retail electric provider to charge a deposit, advance payment or provide rewards or benefits to residential electric customers on the basis of good payment history with that provider.

C.S.H.B. 412 will prohibit the use of credit scoring and credit history in the denying or pricing of service to a buyer or potential buyer of basic telecommunications service. The measure will not limit the authority of a provider of basic telecommunications service to require a deposit, advance payment, or credit limit as a condition of service.

### **EFFECTIVE DATE**

The Act takes effect September 1, 2005.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

HB 412 prohibits the use of credit scoring and credit history in the process of approving or pricing for customers or potential customers for basic telecommunications service or electric service. C.S.H.B. 412 prohibits the use of credit scoring, credit history or the use of utility payment data by a retail electric provider in denying or pricing service to an existing or potential

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customer in a contract for 12 months or less. The bill will not limit the ability of a retail electric provider to charge a deposit or an advance payment as a condition of service. C.S.H.B. 412 also prohibits the use of credit scoring, credit history by a telecommunications provider in denying or pricing service to an existing or potential customer. The bill will not limit the ability of a telecommunications provider to charge a deposit, advance payment, or credit limit as a condition of service. Additionally there were several other substantive changes: C.S.H.B. 412 allows the use of credit scoring and credit history by competitive retail electric providers until the price to beat expires, C.S.H.B. 412 allows for the use of payment history with a certain provider to determine rewards, benefits, or credits and C.S.H.B 412 defines credit scoring as not including an outstanding balance, so the bill will not protect those that are "gaming" the system.