REPORT SUMMARY

FULLY REPORTING NONFINANCIAL PAYMENT DATA:
IMPACT ON CUSTOMER PAYMENT BEHAVIOR AND FURNISHER COSTS AND BENEFITS

PERC, PARTNERING WITH CFSI, THE BROOKINGS INSTITUTION, TRANSUNION, EXPERIAN, THE EDISON ELECTRIC INSTITUTE, AND THE AMERICAN GAS ASSOCIATION,

- surveyed 70 nonfinancial companies (some fully reported—timely and late payment information—to credit bureaus, while most reported only derogatory payment data or did not report) regarding perceptions of and experiences with full-file customer payment reporting.
- presented the experiences of two nonfinancial companies (DTE Energy and Nicor Gas) that fully report customer payment information to credit bureaus, and
- surveyed more than 900 consumers with joint or primary responsibility in paying household bills, including credit, energy utility, rent, and telecoms.

Credit Reporting Customer Payment Data examines the perceived and actual costs and benefits of full-file credit reporting by nonfinancial service providers, such as telecommunications companies and utilities, and assesses its impact on customer payment behavior. Full-file credit reporting sends both timely and late payment information to a consumer credit bureau. Companies surveyed revealed perceived costs and benefits, actual costs and benefits, and experiences associated with fully reporting payment data to consumer credit bureaus. Consumers with joint or primary responsibility for paying bills were surveyed regarding their awareness of which obligations are reported, how they prioritize bill payment, and how they would alter their bill paying behavior if they knew nonfinancial obligations were fully reported to a consumer credit bureau. The following are key findings from the report.

From the customers' perspectives…

- **Customers confirm that credit reporting alters payment behavior:** One-half of all consumers surveyed indicated they would be more likely to pay their nonfinancial service obligation on time if those payments were fully reported and impacted their credit scores.
- **Many customers are unaware of which of their obligations are reported:** 44% of consumers didn't know if energy utility payments were reported and only 28% thought they were not. Most customers did not even know that mortgages and auto loan payments were reported, highlighting the importance of customer communication for companies that decide to report customer payments.
- **Data must be included in a credit file to fully motivate payment behavior changes:** Simply reporting payment data to a credit bureau is insufficient. Data furnishers must make sure the data is included in an FCRA regulated consumer credit database. A major bureau already collects negative payment data from energy utility and telecom firms, but uses it for non-credit purposes. To fully motivate customers, the data needs to be included in consumer credit files.

From the borrowers' perspectives…

- **Many become scoreable when payments are fully reported:** DTE Energy's case study confirms that many of that utility's customers obtained a credit file and/or became scoreable due to its fully reporting of customer payments. 127,126 of its customers, or 6.2% of its accounts, were able to be scored for the first time when reporting began. Having a credit score is crucial when accessing mainstream affordable credit.

From the firms' perspectives…

- **Firms that fully report see changed consumer payment behavior:** Consistent with results from the consumer survey, the survey of firms and the two case studies reveal that customers are more likely to pay on time when they are aware that their personal credit standing will be affected by their payment actions.
- **For most firms, benefits of credit reporting greatly exceed costs:** All firms that fully report customer payment data say that the benefits of reporting are at least equal to the costs of reporting. Fourteen percent reported benefits equal to between 2 and 5 times costs. Fifty-eight percent reported the benefits exceeded costs by at least a multiple of five.
- **Firms that credit report are overwhelmingly satisfied with experience:** No respondents were dissatisfied with their experience of credit reporting. Approximately one-fourth were "neutral or mixed" about their experience, and approximately three-fourths were either "somewhat satisfied" or "very satisfied."
- **Firms overestimate perceived costs of credit reporting:** The primary reasons firms did not credit-report were assumed technology (IT) and customer service costs. Yet, among those firms that actively credit-report, all indicated that IT and customer service costs were either small, minimal, or nonexistent.
- **Greatest perceived challenges involve soft costs:** When asked to rank the difficulty of implementation issues, firms currently fully reporting to one or more credit bureaus ranked "developing internal policy" and "educating consumers" as by far the two greatest challenges. They rated technological, legal, and regulatory issues as moderate or relatively moderate challenges.
- **Customer communication is important to fully realizing benefits:** As our consumer survey makes clear, many consumers are unaware of payment reporting. Customers unaware of payment reporting will not alter their payment behavior.

The full report is freely available at: www.infopolicy.org/files/bizcase.pdf

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