

## FACT SHEET 2 – SECURITY DEPOSITS

1. A utility can require a security deposit if an applicant or customer is not considered "creditworthy."
2. A utility cannot impose a security deposit based upon the economic character or collective credit reputation of the person's neighborhood or geographic profile.
3. A utility can look at several factors:
  - Utility payment history for past two years;
  - Current status of utility accounts;
  - Service disconnections in the past year;
  - Number of late payments in past 12 months (more than two).
4. A utility can also ask for information:
  - Proof of continuous employment for three years with one employer;
  - Ownership information.
5. If an applicant or customer is considered a credit risk, the utility can ask for a guaranty or security deposit (e.g., credit reports or credit scores).
6. A utility can ask an existing customer for a security deposit if the customer has had two late or missed payments in one year, had service disconnected, is more than 2 months past due on her account or circumstances have "materially changed."
7. The utility must calculate the security deposit in a specific way:
  - For most utilities, the deposit cannot be greater than 2/12 of the estimated annual bill of the customer (i.e. average total bill for the next year)
  - Example:  $2/12 \times 2000$  average annual bill=\$333
8. The utility must return the deposit with accrued interest after deductions:
  - When the customer discontinues service;
  - If the customer has a good payment record for one year;
  - If the customer otherwise establishes credit.
9. The utility must offer an installment plan to pay the deposit.
10. Exemption: Customers aged 60 or older are exempt from cash deposit requirements if they show proof:
  - Age
  - Primary utility consumer – home lease or title is in name of customer
  - No outstanding utility bills
  - Any deposit must be refunded on request if customer is age 60 and has no outstanding bill.