



# Consumer Alert

## Utility Bills and Your Credit Report



There are many different types of credit, such as retail store credit, auto loans, and mortgages. An important type of credit that most of us can't live without is utility credit. Similar to retail credit, utility

credit allows us to get a service (or good) now and pay for it later. Utility companies maintain a record of your payment history that makes up your utility credit. This record becomes a part of your overall credit history. Therefore, it is important to treat utility credit in the same manner as other types of credit.

### What is Credit Reporting?

Credit reporting agencies collect and maintain consumer credit information and use this information to develop a credit report on individuals. Information in a report can include bill payment histories, identification and employment information, and whether an individual has been sued, arrested, or has filed for bankruptcy. Credit reporting agencies provide an individual's credit report upon request to lending institutions, insurers, potential employers and other businesses with a legitimate need for this information. Credit reports are used to evaluate a consumer's creditworthiness and to predict an individual's ability and willingness to pay back debt. Credit reporting is a federally regulated business activity. The Federal Trade

Commission (FTC), the nation's consumer protection agency, has the responsibility for administering rules and regulations related to credit reporting and enforces laws that have been enacted to protect consumers.

### Do utilities report on customer utility bill payments?

Utility bills cover charges for goods and services after they have been consumed by the customer. Thus, a utility company is a creditor eligible under federal guidelines to report bill payment histories of its customers to credit reporting agencies. A utility company's primary purpose in reporting this information to credit reporting agencies is to reduce bad debt by encouraging timely bill payments. Uncollectible debt is generally considered a cost of doing business and is typically recovered through costs assigned to all customers' bills. By reducing its bad debt, a company may be able to keep costs down.

Utilities have different practices on how often and how much information they provide to credit reporting agencies. Some utilities report utility credit history for only those customers with delinquent accounts. Other utilities report customer bill payment history for all of their customers—providing both positive and negative histories. Under the second approach, called "full file reporting," customers with a history of making payments on time may benefit through improved credit scores, while customers that have a history of untimely or unpaid payments may see a drop in their credit scores.

### What if I'm having difficulties paying my bills? How can I protect my credit?

Customers should contact their utility company **immediately** when they foresee bill payment

problems. Utility companies can provide payment options (equal monthly payment plan or other payment arrangements) to help customers manage their bills and avoid unfavorable payment records. If you are on a payment arrangement, such as the winter protection plan, or other payment program with a utility, you should be considered in good payment standing, provided you make the minimum payment required under your specific plan. Also, many companies now offer alternative payment options such as online payment, automatic electronic payment from checking or saving accounts, payment by telephone, and payment by credit card. Companies can also refer customers to agencies that may be able to provide bill payment assistance.

### How can I find out what my Credit Report says?

According to the Fair Credit Reporting Act (FCRA) of 2003, all credit reporting agencies are required to provide consumers, upon request, with a **free** credit report once every 12 months. Requests for a free report can be made by calling toll-free: 1-877-322-8228 or by visiting [annualcreditreport.com](http://annualcreditreport.com). (Note: *This is the only authorized online source to receive a free credit report under federal law. Be careful: there are other unauthorized or scam websites that may look or sound similar.*) By reviewing their credit report, consumers can verify the accuracy of information in the report, and challenge inaccuracies.

### What can I do if I think my credit report is inaccurate?

Under the FCRA, if a customer disputes the accuracy of information in a credit report, the credit reporting agency and the company providing the disputed information are required to investigate the items in question and are responsible for correcting inaccuracies.

The FTC's website on [Free Credit Reports](#) provides additional helpful information. The FTC can also be reached toll-free at 1-877-382-4357; (TTY: 1-866-653-4261) or you may write to the FTC at:

Federal Trade Commission  
Consumer Response Center – FCRA  
Washington, D.C. 20580

Other FTC websites related to credit reports:

[Want a Free Annual Credit Report?](#)

[Fake Credit Report Sites: Cashing in on Your Personal Information](#)

[The Fair Credit Reporting Act](#)

[How to Dispute Credit Report Errors](#)

[Credit Scoring](#)

[Building a Better Credit Report](#)

[Credit Repair: Self Help May Be Best](#)

[Access to Free Credit Reports](#) (also in [Spanish](#))

