

Utility Bills and Your Credit Report



spotlight

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 to develop a credit reports 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 by the Federal Trade Commission (FTC), the nation's consumer protection agency.

Do utilities report customer 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 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 delinquent 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 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. 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?

By reviewing their credit report, consumers can verify the accuracy of information in the report, and challenge inaccuracies. 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 877-322-8228 or by visiting 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.)

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, FTC.gov/freereports, provides additional helpful information. The FTC can also be reached toll-free at 877-382-4357; (TTY: 866-653-4261) or you may write to the FTC at:

Federal Trade Commission
Consumer Response Center – FCRA
600 Pennsylvania Ave. NW
Washington, D.C. 20580