

YOU NEED TO KNOW -

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A leaky faucet can drown your credit

Credit agencies are increasingly interested in your complete financial profile, even utility payments. So a late phone bill could also impact your mortgage rate.



Can you imagine a dripping faucet keeping you from buying a car? Can you imagine your air conditioner keeping you from buying a house? Can you imagine your cellphone costing you thousands of dollars in interest on a higher-rate mortgage?

"Impossible," you might say.

Think again! Those things are entirely possible, even probable. Here's why: Your credit reports are made up of information about you flooding into the credit reporting agencies. You probably already know about some of the information -- your home address, credit cards, payment histories and (possibly) bankruptcies. Yet many consumers are surprised to discover one piece of information they didn't know was being reported on their credit reports, even though this information can severely hurt their credit scores if they aren't careful.

Unpaid utility bills are now being reported consistently on credit reports. Your phone bill, power bill and water bill (and any other utility-related obligations you might have) could show up on your credit report, and therefore influence whether lenders will loan you money.

So that dripping faucet could run up your water bill, forcing you to pay late and hurting your credit, which could in turn keep you from getting a car loan. Similarly, keeping that air conditioner running through the summer could run up your power bill, forcing you to pay late, keeping you from getting a mortgage. Even a late payment on a cellphone bill could bump you up into a higher interest rate bracket on your mortgage.

It might be tempting to skip a payment now and then or not pay on time, especially if money is tight and you need to direct those funds elsewhere. But it's important to pay your utility bills on time -- not only to keep your utility providers happy, but also to ensure that you keep your current and future lenders happy.

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Here are some tips to help you handle your utility bills so they don't hurt your credit scores:

Watch your bills closely and mark on a calendar when they should be paid.

If you want to minimize the number of utility bills that could impact your credit, try to bundle services (for example, your telephone company may also be able to provide you with Internet services).

Keep the number of times you switch service providers to a minimum. you're your credit reports will be pulled each time you switch.

Ask your utility provider if you can get on a fixed average payment plan so your bill each month is a predictable amount. This will can help keep away an unpleasant surprises after a month of particularly high utility usage.

Not every utility reports payments, but I am seeing an increasing number of utilities that do report, so consumers who are smart about their credit should manage their utility bills in the same way they manage other credit-impacting accounts, including loans and credit cards.