

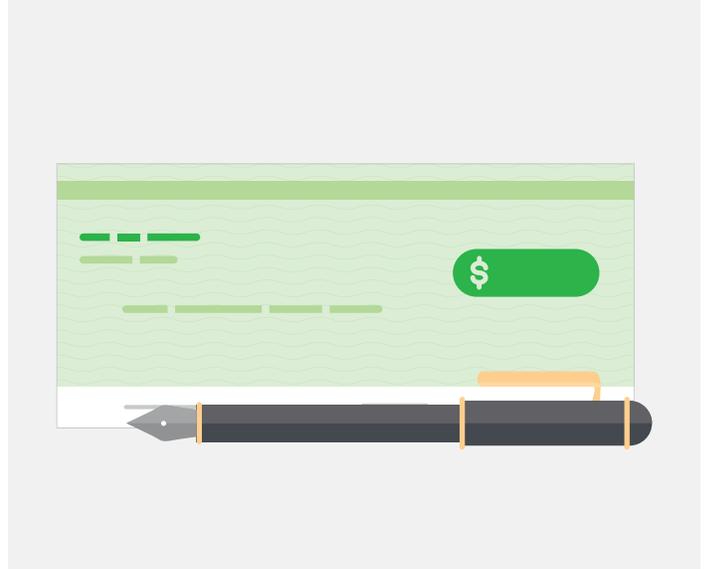
# Ways to pay your bills

When you move to a new place, it doesn't take long for bills to start coming.

You might pay some bills like rent, utilities, and other payments each month. You might also have one-time bills, like a security deposit when you rent an apartment.

In many cases, you have one or more options you can choose from to make bill payments.

The list below helps you understand different bill payment options and their advantages and disadvantages. Knowing how they work could help you avoid some fees, including fees from late or missed payments.



## Check

Definition	Benefits	Risks
<p>Checks are forms that you fill out to pay for something from a checking account at a bank or credit union.</p> <p>You write the amount and the name of the person or company that you wish to pay on the check. The amount comes out of your checking account when the person or company who receives the check deposits it or cashes it.</p>	<ul style="list-style-type: none"><li>▪ Convenient once you set up your bank or credit union account and request a checkbook.</li><li>▪ Can be mailed.</li><li>▪ Easy to prove payment if there is a dispute.</li><li>▪ Money stays in the checking account until you write out the check and the check is deposited.</li><li>▪ Unlike cash, if a check is lost or stolen or someone forges your signature, you have protection for the money in your account. But, it can be hard to stop a check if the person who receives it deposits it quickly.</li></ul>	<ul style="list-style-type: none"><li>▪ If you pay bills by check without enough money in your account, the bank might charge you fees. You might also be charged a fee by the company you are trying to pay.</li><li>▪ You have to remember to pay a bill using a check each time it is due (not automated).</li><li>▪ You pay postage costs to mail the payment.</li><li>▪ You must mail your check before your bill is due to ensure it arrives by the due date.</li></ul>

## Automatic or direct debit

Definition	Benefits	Risks
<p>You provide the merchant or service provider (for example, your cell phone provider or utility company) with your checking account information and they take the funds from your account each time the bill is due (for example, every month).</p>	<ul style="list-style-type: none"> <li>▪ Convenient, saves time, and free.</li> <li>▪ You may pay a lower interest rate for loans if you make your payments via automatic debit.</li> <li>▪ Makes it easy to pay for bills that are frequent and consistent.</li> <li>▪ Reduces chance of being late—once you set it up, it is automatic.</li> <li>▪ You have the right to end automatic payments.</li> <li>▪ Easy to prove payment if there is a dispute.</li> <li>▪ If the amount of the bill changes each month, you may get a notice before the transfer is made to pay the bill.</li> </ul>	<ul style="list-style-type: none"> <li>▪ If you pay bills by check without enough money in your account, the bank might charge you fees. You might also be charged a fee by the company you are trying to pay.</li> </ul> <p>Warning: When you set up automatic debits, you could accidentally spend more than you have. To stop automatic withdrawals, contact both the merchant and your bank.</p>

## Online bill payment

Definition	Benefits	Risks
<p>You give your bank the merchant or service provider's information, and your bank makes the payment according to the amount and schedule you set up.</p>	<ul style="list-style-type: none"> <li>▪ Convenient and saves time.</li> <li>▪ Makes it easy to pay for bills that are frequent and consistent.</li> <li>▪ You can choose between making one-time payments each billing cycle or setting up recurring (automatic) payments using your bank or credit union's online web services.</li> <li>▪ Reduces chance of being late—once you set it up, it is automatic.</li> <li>▪ Easy to prove payment if there is a dispute.</li> <li>▪ Easy to stop an unintended or erroneous payment.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Takes time to set up and learn.</li> <li>▪ If you pay bills by online bill payment without enough money in your account, the bank may charge you fees. You might also be charged a fee by the company you are trying to pay.</li> <li>▪ If you have set up recurring payments and the amount changes, you might pay the wrong amount. If you pay less than the full amount of the bill, you might have to pay fees</li> </ul>

## Money order

Definition	Benefits	Risks
<p>A money order can be used instead of a check. You can buy a money order to pay a person, a company, or another party.</p>	<ul style="list-style-type: none"><li>▪ Easy to understand.</li><li>▪ Can be mailed.</li><li>▪ No personal banking information appears on the money order.</li></ul>	<ul style="list-style-type: none"><li>▪ May be inconvenient because you have to buy a money order, from a bank or credit union, a post office, or a retail store,</li><li>▪ Fees to buy the money order and postage to mail the payment.</li><li>▪ May be hard to prove payment unless you have the money order receipt and a receipt for payment.</li><li>▪ Like cash, funds are difficult or impossible to recover if lost or stolen.</li><li>▪ You have to remember to pay the bill each time it's due (not automated).</li></ul>

## Credit card

Definition	Benefits	Risks
<p>A credit card allows you to borrow money up to an approved credit limit. You pay interest unless you pay the full amount when the bill is due. You can be charged other fees based on the terms of the credit card. You must pay at least the minimum payment each month to avoid late fees. To reduce the interest you are charged, you want to pay more than the minimum payment amount.</p>	<ul style="list-style-type: none"><li>▪ Can use a credit card to pay bills over the phone or online.</li><li>▪ Easy to prove payment if there is a dispute.</li><li>▪ Protects you from having to pay for some or all the charges if your card or information is stolen or lost and you report the theft.</li><li>▪ Can be set up to automatically pay recurring bills.</li><li>▪ Can help build your credit history if you make payments on time and don't get close to your credit limit.</li></ul>	<ul style="list-style-type: none"><li>▪ Costs more than paying for the purchase with cash or a check, if you can't pay the credit card balance in full every month. If you carry a balance over to the next month, you have to pay interest.</li><li>▪ Creates another bill you have to pay.</li><li>▪ Creates debt—you are borrowing money to pay for bills and other items.</li><li>▪ Many types of bills cannot be paid by credit card.</li></ul>

# Cash

Definition	Benefits	Risks
Cash is money that you have in hand.	<ul style="list-style-type: none"><li>▪ Often no fees associated with paying cash directly to the company if paying the full amount owed. Buying or using a special product such as a money order or prepaid cards may cost money.</li><li>▪ When you use cash, you're not incurring debt.</li><li>▪ No risk of overdrawing your account.</li></ul>	<ul style="list-style-type: none"><li>▪ Not all bill payments can be made in cash.</li><li>▪ It can be inconvenient and costly to travel to the company to pay the bill in person.</li><li>▪ May be hard to prove payment unless you get a receipt.</li><li>▪ Cash is difficult or impossible to recover if lost or stolen.</li><li>▪ You have to remember to pay the bill each time it's due (not automated).</li></ul>

## Tips

1. Make a list of your bills and their due dates, and put them on a calendar so you can easily see when payments are due.
2. Some creditors let you pick the day of the month that your bill is due.
3. However you choose to pay your bills, keep track of your money coming in and going out. It will help you avoid fees.

## About us

The Consumer Financial Protection Bureau is a 21st century agency that implements and enforces federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive.

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