

Ways to pay your bills

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

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

You often have options to choose among for making your payments.

The list below helps you understand different bill payment options and their potential 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. You can set up 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">▪ Checks are convenient once you apply for an account and it is set up at a bank or credit union.▪ Checks can be mailed.▪ It's easy to prove payment if there is a dispute.▪ Funds are held in the checking account until you write out the check and the check is deposited.▪ 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.	<ul style="list-style-type: none">▪ If you pay bills by check without enough money in your account, the bank or company you write the check to may charge you fees.▪ You have to remember to pay a bill using a check each time it is due (not automated).▪ You pay postage to mail the payment, unless you hand-deliver it.

Online bill payment

Definition	Benefits	Risks
<p>You enter the company or service provider's information on your bank or prepaid card account, and your bank or card makes the payment according to the amount and schedule you set up.</p> <p>Or, you log in to the company or service provider's own site, at a home computer or on your mobile device, and pay your bill there.</p>	<ul style="list-style-type: none">▪ Online payments are convenient and save time.▪ It's easy to pay for bills that are frequent and consistent.▪ 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 banking services.▪ You have less chance of making a late payment—money can be transferred quickly.▪ You may be able to receive warnings or alerts if your account or card balance goes below a certain amount.▪ It's easy to prove payment if there is a dispute.▪ Easier to stop an unintended or erroneous payment before it is made.	<ul style="list-style-type: none">▪ It takes time to set up and learn.▪ If you pay bills by online bill payment without enough money in your account, the bank or service provider may charge you fees.▪ If you have set up recurring payments and the amount changes, you may pay the wrong amount. If you pay less than the full amount of the bill, you could be charged interest or fees.▪ Data may be collected and shared in ways that you don't want.▪ Your mobile device could be lost or stolen, possibly allowing access to your accounts.▪ Financial information may be vulnerable to theft if mobile apps are used on public Wi-Fi.

Automatic or direct debit

Definition	Benefits	Risks
<p>You provide the company 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">▪ Automatic payments are convenient, free, and save time.▪ You may pay a lower interest rate for loans if you make your payments via automatic debit.▪ Automation makes it easy to pay for bills that are frequent and consistent.▪ You have less chance of making a late payment—once you set it up, it is automatic.▪ You have the right to end automatic payments.▪ It's easy to prove payment if there is a dispute.▪ If the amount of the bill varies from the previous one in a particular month, you get a notice before the transfer is made, unless the amount is within a payment range you agreed would not require a notice.	<ul style="list-style-type: none">▪ If you pay bills by automatic debit without enough money in your account, the bank or company you are paying to may charge you fees. <p>Warning: When money is automatically taken from your account, you could accidentally spend more than you have. If you do not have enough money in your account to cover an automatic payment or other charges you've made, you may have to pay costly fees. To stop automatic withdrawals, contact both the company and your bank.</p>

Credit card

Definition	Benefits	Risks
<p>A credit card allows you to borrow money up to an approved credit limit. You pay interest if you carry a balance, and you can be charged other fees based on the terms of the contract. You can expect to make a minimum monthly payment and you may want to pay more than the minimum to pay it off sooner.</p>	<ul style="list-style-type: none">▪ You can use a credit card to pay bills over the phone or online.▪ It's easy to prove payment should a dispute arise.▪ Credit cards protect 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.▪ You can set up automatic payments for recurring bills.▪ Can help build your credit history if you make payments on time and stay well below your credit limit.	<ul style="list-style-type: none">▪ It costs more than paying for the purchase with cash or a check if you don't pay the credit card balance in full every month. If you carry a balance, you have to pay interest on the balance.▪ Paying with your credit card creates another bill you have to pay.▪ Paying with a credit card creates debt—you are borrowing money to pay for bills and other items.▪ If your card number is changed or your card is replaced, you have to remember to update the information with billers that are being paid through automatic payments.

Prepaid card

Definition	Benefits	Risks
<p>You or someone else loads money onto a card where you can access the funds at places where credit and debit cards are accepted.</p>	<ul style="list-style-type: none">▪ Safer and more secure than cash or checks.▪ Full consumer protections in case of error or theft.▪ Can be used like a debit card and entered into most bill payment sites.	<ul style="list-style-type: none">▪ Potential service or inactivity fees, so you might have to pay to access your money.

Cash

Definition	Benefits	Risks
Cash is money that you have in hand.	<ul style="list-style-type: none">▪ There are usually 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.▪ When you use cash, you're not incurring debt.▪ There is no risk of overdrawing your account.	<ul style="list-style-type: none">▪ Not all bill payments can be made in cash.▪ It can be inconvenient and costly to travel to the company to pay the bill in person.▪ It may be hard to prove payment unless you have a receipt.▪ Cash is difficult or impossible to recover if lost, stolen, or destroyed.▪ You have to remember to pay the bill each time it's due (not automated).

Money order

Definition	Benefits	Risks
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.	<ul style="list-style-type: none">▪ Money orders are easy to understand.▪ A money order can be mailed.▪ No personal banking information appears on the money order.	<ul style="list-style-type: none">▪ Fees are charged to buy the money order and to mail the payment.▪ Funds are difficult or impossible to recover if lost or stolen.▪ It may be hard to prove payment unless you have the money order receipt and a receipt for payment.

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 regulates the offering and provision of consumer financial products and services under the federal consumer financial laws, and educates and empowers consumers to make better informed financial decisions.

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