

Getting a new cellphone? Expect a credit check

By [Beth Braverman \(/credit-card-news/authors/beth-braverman.php\)](/credit-card-news/authors/beth-braverman.php) | Published: February 2, 2016

Requests for a credit check pop up in all kinds of situations. Among those you might not expect: when you're signing up for a new mobile phone contract.

But as the competition for mobile phone subscribers heats up, the major cellphone carriers are looking for ways to attract more customers, and that means they're making increasingly attractive offers to one consumer group they've traditionally ignored: those with poor credit.

To be sure, consumers with the best credit still get the best pricing and access to the newer phones than people with lower credit scores, but the availability of plans for people across the credit spectrum is growing.

When you apply for a mobile phone plan, the service provider will run a credit check to get a sense of your ability to meet the financial obligations of the contract. "If you're having difficulty paying other debts, and now you're taking on a cellphone contract, you could have difficulty paying that as well," says Rod Griffin, director of public education for the credit bureau Experian.

The inquiry is typically, but not always, a hard inquiry, which means it could temporarily ding your credit score.

The major carriers declined to reveal to CreditCards.com exactly what their credit score requirements are, but in general people with the best scores will have access to the best-priced plans without putting down any additional cash upfront. T-Mobile has previously said (<https://newsroom.t-mobile.com/issues-insights-blog/smartphone-equality-blog.htm>) that 63 percent of Americans don't have the 750 credit score required for the best deals in the cellphone industry. Those are the deals that get heavily promoted, but the ads all include language about how they're only available to "qualified customers," which means those with the best credit.

Deposit required

Consumers with average credit will generally have to put down a deposit of up to a few hundred dollars before the carriers will offer them a contract. At Verizon, for example, consumers can either buy an iPhone 6s for \$650 upfront, or those with the best credit can pay it off in monthly installments of \$27.08 for 24 months. Those who are "working on" their credit would have to put down \$260 upfront for the phone, although their monthly installments would fall to \$16.24. Those with poor credit wouldn't qualify for a financing plan.

The rates are similar at T-Mobile, where new customers with the best credit can purchase an iPhone 6s for \$27.09 per month. New customers who are "building credit" have to pay \$360 upfront, followed by monthly payments of \$12.09 for 24 months.

If you put down a deposit, the service provider can draw on it if you stop paying your bills.

Credit checks and deposits are also required for new mobile phone programs, such as AT&T Next and Verizon Edge, which do away with the traditional cellphone subsidies and contracts, yet still allow customers to finance a phone over time. "They need the credit check to make sure you're good for it," says Jan Dawson, chief analyst for JackDaw Research, a technology research and consulting firm. "They're letting you have a device that you haven't paid for yet."

For consumers with the lowest scores, carriers have traditionally not offered a contract at all, instead requiring customers to go with prepaid plans, in which they pay upfront for the phone and for data, minutes and texting they plan to use, adding money as they go along. These plans may be a good option if you infrequently use your device, but tend to cost more than a contract plan for frequent users. In those cases, you may find a better deal abandoning the Big Four carriers for companies that specialize in prepaid plans, such as Virgin Mobile or Straight Talk Wireless.

Another option for consumers with poor credit is to get a co-signer for the contract, who will be equally responsible for the payments. Under such an arrangement, the contract remains in your name, but the co-signer will be on the hook for any outstanding debt if you don't pay your bill. The cosigner does not have the ability to close or change the account.

A few companies, however, are creating new programs that cater to those with the poorest credit or those who haven't amassed enough of a credit history to have a score at all. "Telecommunications providers are looking at new ways to bundle their products to ensure higher customer satisfaction without increasing their risk," says Dennis Dixon, president of Zoot Enterprises, a credit analytics firm for the financial services industry.

Newest options

In January 2015, T-Mobile announced a new "Smartphone Equality" program, in which existing customers who make one year of on-time payments would have automatic access to the company's best plans, without a credit check.

Sprint offers a similar program, and since May 2014 has also offered no contract, no-credit check option that provides unlimited talk and text for \$70 per month to consumers who either bring their own devices, or buy a new or used phone from Sprint upfront. After a year on that plan, you can upgrade or add additional lines of service without additional down payments or deposits, says Sprint spokeswoman Roni Singleton.

It's worth noting that cellphone companies don't report on-time payments to the credit agencies, so paying your bill on time every month won't help your credit score the way that on-time mortgage or credit card payments would. A single late cellphone payment won't hurt your score, either (although it could disqualify you from the T-Mobile or Sprint programs that reward good behavior). Mobile phone companies generally don't report late payments until a consumer has become so delinquent that the account has been closed.

See related: [Why cellphone payments don't help your credit \(/credit-card-news/simon-cell-phone-payments-credit-report-verizon-1508.php\)](/credit-card-news/simon-cell-phone-payments-credit-report-verizon-1508.php), [FICO Score XD promises to score the unscorable \(http://blogs.creditcards.com/2015/10/new-fico-score-xd-promises-to-score-the-unscorable.php\)](http://blogs.creditcards.com/2015/10/new-fico-score-xd-promises-to-score-the-unscorable.php), [So many alternative scores, so little acceptance \(http://blogs.creditcards.com/2015/10/so-many-alternative-scores-so-little-acceptance.php\)](http://blogs.creditcards.com/2015/10/so-many-alternative-scores-so-little-acceptance.php)



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-- Dennis Dixon
Zoot Enterprises

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