Overview
Prospective renters and homebuyers consider various housing attributes, such as square footage, local amenities, and housing quality when considering what housing arrangements to make. One less salient feature of housing choices in most cases are the energy and other utility costs associated with living in that location. While monthly rent costs or the purchase price of the home should generally be clear to the prospective renter/buyer before their decision is made, the energy costs (such as electricity, natural gas or fuel oil) and other utility bills (such as trash collection and water/sewage) associated with that location can often be less clear.

If prospective renters/buyers do not fully take these future ongoing costs into account when making choices regarding housing, unexpectedly high energy/other utility bills could cause financial distress later. This paper examines the impact of average energy and other utility bills on several measures of housing financial distress, including utility shutoffs, missed rent/mortgage payment and eviction threats. The impact of energy and other utility bills on these outcomes is then compared to the impact of monthly income and monthly rent/mortgage payments – financial variables that should generally be more salient when selecting housing.

Methodology
Regression analysis is applied to data from the 2017 American Housing Survey (collected by the US Census Bureau).

Selected Results
I find that for financially distressed households, an increase in average energy/utility bills have a much larger impact, dollar-for-dollar, on various measures of household financial distress than an equivalent increase in rent/mortgage payments or decrease in income. These impacts on financial distress are also generally larger for renters than homeowners (with mortgages).

Conclusions and Implications
These results are consistent with many prospective renters/homeowners not fully incorporating future energy/utility costs of their residence when making decisions regarding where to live. This lack of foresight can lead households into later financial distress (utility shutoff threats, actual utility shutoffs, missed rent payments, etc.) if average energy/utility bills are higher than expected. These results could support public policy to make expected energy/utility costs more salient to prospective renters/homebuyers to reduce later financial distress resulting from unanticipated energy/utility costs.