



How to Rebuild Credit: A DIY Credit Repair Guide

10 minute Read



Introduction

Damaged credit history and poor **credit scores** can throw a big wrench into your financial life.

You'll have more difficulty obtaining loans and credit cards than people with good credit. If you do get a loan or credit card, you'll usually pay a higher interest rate than people who have higher credit scores. You also won't be eligible for credit cards with the best rewards and benefits.

However, if you have bad credit, don't despair — there are several practical ways to begin reversing your situation and put yourself on track toward **good credit**.

There are six key steps involved in repairing your credit:

1. **Be aware of your credit situation.**
2. **Dispute inaccuracies in credit report information.**
3. **Pay down debts.**
4. **Learn and create responsible credit habits.**
5. **Build new credit.**
6. **Wait.**

You may be able to skip a step or two, depending on your situation. Even so, it's wise to understand the full process in case unexpected financial troubles come up again in the future.



Be Aware of Your Credit Situation

Before taking action to improve your less-than-stellar credit, check your three credit reports and scores. You need to identify why your credit scores dropped in the first place.

You probably already have a good idea of what happened, whether you missed credit card payments or defaulted on a personal loan. Regardless, taking a comprehensive, honest look at your financial situation is the first step on the path toward great credit. It also presents a valuable opportunity to identify and dispute incorrect information that could be hurting your scores.

Here's an idea of how you should go about this step.

- Check your credit scores: You should be able to **check a credit score for each of your reports** for free. You may be able to view a score through your credit card. If not, many online services let you access a free credit score by simply signing up.
- Examine your credit reports: Under federal law, you're allowed **one free credit report** from each major consumer credit bureau — Equifax, Experian, and TransUnion — every 12 months. You can get your free reports at **AnnualCreditReport.com**. While your credit scores offer helpful insight into your situation, credit reports provide a detailed picture that should make it easier to find the exact problems at play. Make a list of any potentially negative information you find, including late payments, collection accounts, inquiries, and credit cards with high balances compared to their limits.

If you think you're in too deep to figure everything out on your own, consider credit counseling. Credit counselors provide credit-related guidance that could prove invaluable in helping you navigate the murky waters of debt. Check the U.S. Department of Justice's official list of **approved credit counseling agencies** to locate counseling services near you.

Dispute Inaccurate Information

If you find any inaccuracies while you're digging through your credit reports, **you have the legal right to dispute them**. When you dispute an account, the credit bureau has to investigate and delete the item from your credit report if it isn't verified as accurate.

A deletion could boost your credit scores in certain cases, if the removed item was negative. But even if a deletion doesn't improve your scores, it's still important to ensure that all **information on your reports** is accurate.

For example, a positive mortgage account that doesn't belong to you might not hurt your credit score. But it could make it hard to borrow in the future because, on paper, it looks like you owe more money than you do.

Disputing an item on a credit report is pretty simple. Start by determining which information is inaccurate. Then, determine which credit bureau is reporting the errors. Finally, follow these steps.

1. Send a 609 dispute letter by certified mail (return receipt requested) to the appropriate credit bureau. Request verification of the information you think is wrong. Your dispute won't guarantee a deletion of the information, but it does require the bureau to make an accuracy check.
2. Wait for a response. The process could take a month or more. After the investigation, the bureau should remove the erroneous information from your credit report if it can't be verified.
3. If your dispute didn't reach the resolution you were hoping for, you have more options. You can follow up with the bureau, contact the creditor that furnished the data, submit a complaint to the **Consumer Financial Protection Bureau**, or even speak with a consumer protection attorney if the situation demands it.

If you actually found entire accounts you don't recognize on your credit reports, consider **reporting the incident** to the FTC, and take careful measures to help prevent issues like **identity theft** in the future.

Pay Down Debts

Paying down your existing debts is simultaneously one of the toughest and most important elements of the credit repair process. It'll nearly always take a lot of time, effort, and (of course) money. But once you make peace with your debts, you can lay a foundation for future stability.

The amount of debt you owe (especially your **credit card utilization**) accounts for 30% of your FICO Scores. Paying down credit card debt is often a very effective way to improve your credit scores.

Ready to get started? Here are a few debt elimination options.

Pay Outright

If your debts are still current or just a little behind (meaning you have haven't gone into default yet), you may be able to come up with a plan to start reducing your balances. This may stop the bleeding before your credit situation gets out of hand. Often, you may simply need to adjust your budget and prioritize your debts differently.

Consolidate Debt

Managing a bunch of debts at once can be tough, especially if one or several of them have high interest rates.

Debt consolidation involves **taking out a loan to pay off several debts in one shot**, leaving you with a single bill to pay in their place. Ideally, your new loan should have a much lower interest rate than what you'd get with most credit cards.

Negotiate With Lenders

Lenders want their money. If you can't keep up with the payments you initially agreed to make, a lender may be willing to negotiate. A more manageable payment plan or an arrangement that allows it to come out as favorably as possible would be preferable than an outright default.

Create Responsible Credit Habits

Make All Payments On Time

This one's a bit obvious, but you should never miss a loan or **credit card payment** unless it absolutely can't be avoided. Payment history is one of the most prominent factors in many credit scoring models.

Keep Your Credit Card Balances Low

The ratio of your overall credit card debt to your credit limits is called **credit utilization**. Credit utilization plays a major role in your credit scores.

The **modern FICO Score 8**, for example, calculates 30% of your credit scores from your amounts owed category of your credit reports. Your credit utilization is the most important factor considered here.

Don't Borrow More Than You Can Afford

Never borrow so much money that you can't pay it off in a timely manner. We strongly recommend paying off credit card balances in full each month. If you can't commit to paying your credit cards in full each month, you should probably avoid swiping them altogether while you're trying to rebuild credit.

The same goes for loans. If you're not absolutely certain you'll be able to afford the monthly payment without worry, the loan probably isn't the right move.

Build New Credit

If you've paid off and/or negotiated old debts, addressed inaccurate credit information on your reports, and developed a solid handle on how to deal with credit in the future, you might be ready to start building new credit accounts.

There are several ways to build new credit. We'll guide you through a few of the best options typically available to individuals with poor credit scores.

Become an Authorized User

Find a trusted friend or family member with a consistent history of full, on-time payments, and ask to be **added as an authorized user** on his or her credit card account.

Open a Credit Card

There are **several credit cards** you'll probably qualify for even if your credit scores are very low. Most of them are **secured**.

Try a Credit Builder Loan

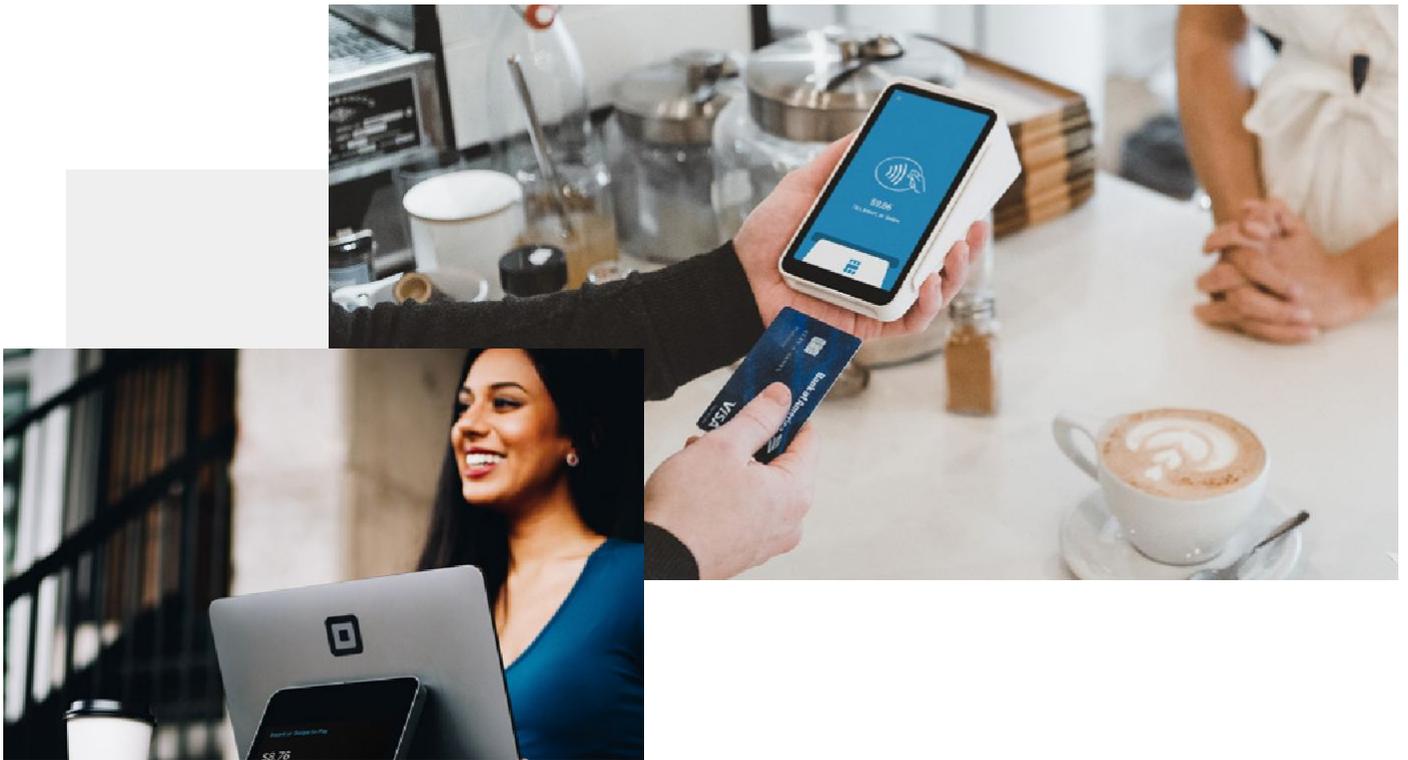
Credit builder loans are designed to help you build or repair your credit. You make equal monthly payments throughout the life of the loan, but you don't get the cash up front. Instead, you receive the funds *after* your balance is paid in full. You'll usually have to pay interest and certain fees, though neither tends to be too high.

Credit builder loans can be very useful on their own. They also work well alongside other methods, like secured credit cards. Using both types of credit together adds to your **diversity of accounts**, and a good mix of credit could benefit your scores.

Wait

In general, the only thing that will remove accurate negative information from your credit reports is time. Late payments, **collection accounts**, and other negative items will typically remain on your credit reports for 7–10 years. In rare cases, you may be able to **get valid late payments removed**, but you shouldn't count on it. There's often nothing to do about negative credit entries except to wait until they're removed from your reports.





Take Control of Your Credit

Is your Credit Score affecting you from getting approved for that new home, car or business loan? Chances are you either don't have credit and you need assistance building -OR- you have NEGATIVE items such as bankruptcies, charge offs, collections etc damaging not only your score but your ACTUAL PROFILE!!

[Schedule A Free Consultation](#)