

Tips to rebuild your credit



Life can throw you financial curveballs. But if you find yourself chronically late paying your bills or defaulting on loans, you may be damaging your credit rating—and that can raise the interest rates you pay and limit your ability to qualify for new credit. However, that damage is not irreparable. Here are some steps you can take to rebuild your credit score.

1 Make sure your credit report is correct

The first step in repairing your credit is to make sure your credit report contains no mistakes. Your credit score is based on this report, so fix any errors to avoid being penalized. Then alert the credit reporting bureaus and the lender that reported the incorrect information.



2 Behind? Catch up

Your credit report calls out missed and late payments from billers such as credit cards, mortgage companies and loans, and those lower your score. Bring all your accounts current by covering those back payments as quickly as possible. If you have trouble making payments, contact your creditors and ask whether they will consider working with you to adjust your payment plan.

3 From now on, be on time



On-time payments are one of the biggest factors in calculating your credit score. If you have trouble remembering to pay bills on time, schedule automatic deductions with your bank for regular expenses, such as car loans, and set up reminders for credit card payment due dates.

4 Consider a secured credit card

If you don't have much credit history, a secured credit card can help build it. A secured card typically requires a cash deposit that serves as the credit line. You use the secured card just as you would a traditional card. But if you default on paying your bills, the issuer can keep the portion of the deposit needed to repay what you owe. A good track record on a secured line of credit can help you get an unsecured credit card down the road.

5 Keep old accounts open

In general, a longer history means a higher score. Closing old accounts may have a negative impact, since scorers consider the age of your oldest account, as well as the average age across accounts. If you have an old account you don't use often, you may need to use a card occasionally to prevent the issuer from closing the account—just be sure to pay the bill on time. And make sure none of the accounts charge annual fees.



6 Wait to apply for new credit

Credit inquiries lower your credit score, so avoid making many inquiries about new loans and lines of credit. This includes opening a new store card to get a discount on a purchase. If you do need to shop for a new loan, do your comparison shopping over a few days. That way, raters may count the inquiries as a single event. Rest assured, though, that checking your own score doesn't count against you.

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