

What Happens When Your Credit Is Damaged? Do You Have Recourse?

The good thing about bad credit is that you can fix it. If you start now, over time, your bad credit can turn into good credit, and you could qualify for the loans you want at the rates you want. The most important aspect of rebuilding your credit after it has been damaged is showing lenders and creditors that you are serious about repaying your debt and that you can be a reliable borrower over a significant period of time.

Negative account histories remain on your credit report for up to 7 to 10 years, depending on the type of action. Bankruptcy can stay on your report for up to 10 years, and collections drop off after 7 years.

Advice varies widely as to the best methods to rebuild your credit. Some points most experts agree on include:

- Starting small - Don't be intimidated by large debt amounts. Even small payments, made on a regular basis, will improve your payment history and, eventually, your credit score.
- Spending less than you earn - Borrowing money to finance a lifestyle that is beyond your means will only land you deeper in debt.
- Paying your bills on time - Building credibility as a borrower involves meeting your commitments to pay, early if possible.
- Keeping your balances low - When using your healthier or newer accounts, keep the balance that you owe between 25% and 50% of your line of credit. An average of 30% is suggested.
- If your credit is damaged and you need more information about the three major credit bureaus, go to www.apscreen.com

Other tips might not seem related to your credit score. Staying at least two years on the same job demonstrates steady employment, and you appear more stable to lenders. You can also open an emergency savings account. Contribute to the account a little at a time on a regular basis. This will not only appear as positive activity to lenders, but also will serve as reserve money to keep you from charging unexpected expenses. Finally, stop borrowing for a while. Certainly avoid borrowing more money from home equity or other lines of credit to pay off credit card debt. Shuffling the debt does not make it disappear.

When establishing new credit, it may be necessary at some point to open a new account once you have paid down your existing ones. Credit unions usually offer the best deals to people with damaged credit. If you are unable to qualify for a credit card, try a smaller company, such as a department store or gas station that might offer you a line of credit.

You may want to look into getting a secured credit card. Offered by several banks

and credit unions, secured credit cards are a positive way to show lenders that you can pay bills on time and be trusted with credit. To use a secured credit card, you will deposit a sum of money into a savings account and pay a small yearly fee to the institution offering the card. If you deposit \$500, you will have a line of credit up to \$500. Using your card on a regular basis and paying it off monthly in full could lead to a traditional line of credit. Once the bank or credit union sees that you are capable of maintaining your secured account, they may extend an offer to you with a fair interest rate.

Another option is to have a friend or relative co-sign for a line of credit with you. This step is risky because you are not only gambling with your loved one's good credit, but also with their good faith.

After a few months of good behavior, order copies of your credit report from all three credit agencies and check for improvements or errors. Be sure that negative information that you have remedied has been removed. File any complaints in writing and check your report again in a few months to ensure that the changes have been made.

Repairing damaged credit is time-consuming but well worth it, both to your peace of mind and to your pocketbook. For more information about credit reports, you can visit <http://www.apscreen.com>