

## The Basics

### 5 steps to credit repair

**It's hard work to rebuild your credit rating. But it can be done.**

By [Mary Rowland](#)

Tens of thousands of Americans have damaged their credit ratings. They've misused or abused their credit cards or prolonged periods of illness or unemployment have engulfed them in financial distress. Whatever the reason, they suffer from bad credit, and must find a way to repair it to return to a normal life.

If you're among this group, don't despair. It's hard work to rebuild your credit rating, but it can be done.

"First you need to understand how credit works and then you need a plan," says Gerri Detweiler, a credit expert and author of "The Ultimate Credit Handbook."

#### What do the credit agencies say?

You need to know what the credit-reporting agencies are saying about you. For \$8.50, you can order a copy of your credit report online from Equifax. You can also now get your credit score from Equifax and Fair, Isaac & Co. Just visit MSN MoneyCentral's [Credit Reporter page](#). The credit score is a statistical tool designed to measure likelihood you'll pay your bills. For more information on the new service, see ["Your secret credit score now available online."](#)

The other two major credit-reporting agencies, Experian (formerly TRW) and TransUnion, charge similar fees. (Use the links below, left to order your report). You're entitled to a free copy of your report, however, if you've recently been denied credit. But you must order the report from the same credit bureau(s) that the lender used in rejecting your application, and you must order it *within 30 days* of the denial. Review your credit history once a year to check for errors and find out what creditors are saying about you.

#### Stay away from 'repair' clinics

What you don't need is a credit-repair clinic. These so-called clinics offer to help you clean up your credit by using loopholes in the law that only they know about. They may also promise to remove negative information from your file or to get you a major credit card. These are false promises, according to attorney John Ventura, author of "The Credit Repair Kit."

Some repair clinics may even get you into legal trouble by encouraging you to distort the information in your credit file, or by helping you to initiate a new file with a new address and federal identification number.

There are no special tricks that these credit repair clinics know, experts say. You can clean up your credit report yourself.

#### Here are five steps to credit repair:

##### 1. Lock your cards away.

Don't close your accounts yet. If your credit rating has been damaged, you may have trouble getting new cards. But stop using them. Your immediate goal is to repair your credit rating and to get out of debt.

##### 2. Figure out where you stand.

No one likes to focus on budgets and net-worth statements. It's particularly painful if you suspect your income is less than your debt and that your net worth is in minus territory. Still, finding out the truth is a necessary first

step, just like stepping on the scale before you begin to diet. It helps you measure your success.

You have a great deal of control over your budget and net worth. But much of your credit record is actually controlled by others -- your creditors and the reporting bureaus. Between 30% and 40% of these reports contain errors, Ventura says. Clear those up first.

Ventura suggests that you write to the credit bureau detailing the errors in your report and that you send your correspondence by certified mail with a return receipt requested as you work to clean up your credit report. That will provide you with a paper trail and help you remember when to follow up.

Be as succinct as possible. Don't be angry or accusatory. Provide backup materials whenever you can. For instance, if you've paid off a bill and received a letter from the former creditor acknowledging that the debt is paid, send along a copy.

In your letter, identify problems such as:

"The credit file your company maintains on me states that my account at Macy's is overdue. In fact, I have closed my account at Macy's and paid off the balance. I am enclosing a letter from Macy's to support that."

Tell the bureau that you want to have the problem investigated as soon as possible. Ask to have a corrected report sent to anyone who has asked for the report during the past six months for credit purposes and during the past two years for employment purposes.

### **3. Devise a plan.**

If you're going to clear up your credit rating, you must begin paying your bills on time. That means you pay at least the minimum balance on each bill within 30 days. Determine whether you can do that. If you aren't even close, consider credit counseling. If it's hopeless, you may want to consider bankruptcy and a fresh start. Determine which course of action you will take and stick to your guns.

### **4. Negotiate with creditors.**

Nine out of 10 creditors will renegotiate terms with you if you're having trouble paying bills. Good candidates are gasoline companies, utility companies, hospitals and doctors. Gasoline cards are usually not reported to credit bureaus until you're 90 days late, and the others don't generally show up on credit reports unless the bills are sent to a collection agency. Write a letter to these creditors describing your problem and requesting a reduced payment schedule. Then stick to your new schedule.

### **5. Add pertinent information to your credit file.**

Your credit report may be damaged as much by the information that is omitted as by the negative information that is found there. Creditors are not required to report information to a credit bureau. But you are entitled to add information that you feel will help your rating.

The law says you are allowed to write a letter of up to 100 words involving any credit dispute and that the agency must provide to any creditors who ask for information. That might include the details of loans that you paid on schedule, active accounts where you have a good record, salary increases at your job, and information about your mortgage, car loan or the settlements of disputed bills.

Ventura suggests that you write to the bureau, enclosing a copy of your credit report and the information that you would like added to the report. Also include information, such as account numbers, that will allow the credit bureau to verify it. Negative information can be maintained on your report for seven years; bankruptcies for 10 years. But many creditors weigh new information more heavily. "How much you pay is not as important as how often you pay," Detweiler says. "It's important to establish a record of paying bills on time and to stick with it."

