How To Fix Your Own Credit

There's nothing a credit repair service can legally do for you — even removing wrong information — that you can't do for yourself for little or no expense. And the cost of hiring such a company can be considerable, ranging from hundreds to thousands of dollars.

What is the Credit Repair Organizations Act?

The Credit Repair Organizations Act is a federal law that became effective on April 1, 1997 in response to a number of consumers who had suffered from credit repair scams. In effect, the law ensures that credit repair service companies:

- Are prohibited from taking consumers' money until they fully complete the services they promise.
- Are required to provide consumers with a written contract stating all the services to be provided as well as the terms and conditions of payment. Under the law, consumers have three days to withdraw from the contract.
- Are forbidden to ask or suggest that you mislead credit reporting companies about your credit accounts or alter your identity to change your credit history.
- Cannot knowingly make deceptive or false claims concerning the services they are capable of offering.
- Cannot ask you to sign anything that states that you are forfeiting your rights under the Credit Repair Organizations Act. Any waiver that you sign cannot be enforced.

How to "Fix" Your Credit by Yourself

There is no quick fix for your credit. Information that is negative but accurate (such as late payments and delinquencies) will remain on your credit report for 7-10 years. However, there are steps you can take to start building a more positive credit history and improve your credit scores over time.

1. Check Your Credit Report

To get a better understanding of your credit picture and what lenders can see, check your credit report.

- If you need help reading your report, you can learn more about how to read your Experian credit report.
- If you want to learn more about credit reports in general, you can read about credit report basics.
- If you find information that is incorrect, you can file a dispute. Remember too, that items on your credit report that you don't recognize could also be potential signs of fraudulent activity — someone working to secure credit in your name for their own use. Make sure you're clear on items that could potentially be fraudulent, versus those that may simply be inaccurate.

2. Improve Your Payment History

Your payment history is one of the most important components of many FICO scoring models. Late and missed payments will reduce your scores, and public records and collections can cause significant damage. This negative information will remain on your credit report and impact your credit scores for 7-10 years.

Your scores often take into account the size and recency of your debt. The bigger your debt is and the more recent your missed payments are, the worse your score will be. Bringing accounts current and continuing to pay on time will almost always have a positive impact on your credit scores.

3. Know Your Credit Utilization Rate

Credit scoring models usually take into account how much you owe compared to how much credit you have available, called your credit utilization rate or your balance-to-limit ratio. Basically it's the sum of all of your revolving debt (such as your credit card balances) divided by the total credit that is available to you (or the total of all your credit limits).

High credit utilization rate can negatively impact your credit scores. Generally, it's a good idea to keep your credit utilization rate below 30%. For example, if you have a $10,000 credit limit across all of your credit cards, you should try to keep your total credit card balances below $3,000 to keep your credit utilization rate low.

There are two ways to reduce your credit utilization rate:

0. Reduce your debt by paying off your account balances.

1. Increase your total available credit by raising your credit limit on an existing account or opening a new credit account.

While increasing your credit limit may seem like an appealing option, it can be a risky move. If increasing your credit limit tempts you to use more credit, you could fall deeper into debt. Additionally, if you try to open a new credit card, an inquiry will appear on your credit report and temporarily reduce your credit score.

Reducing your balances on credit cards and other revolving credit accounts is likely the better option to improve your credit utilization rate, and, subsequently, your credit scores. Consistently making on-time payments against your debt will also help you build a positive credit history, which can have additional benefits for your credit history and, by extension, your credit scores, too.

4. Consider How Many Credit Accounts You Have

Scoring models consider how much you owe and across how many different accounts. If you have debt across a large number of accounts, it may be beneficial to pay off some of the accounts, if you can. Paying down your debt is the goal of many who've accrued debt in the past, but even after you pay the balance down to zero, consider keeping that account open. Keeping paid-off accounts open can be a plus in your overall credit mix since they're aged accounts in good (paid-off) standing. You may also consider debt consolidation.

5. Think About Your Credit History

   Credit scoring models, like those created by FICO, often factor in the age of your oldest account and the average age of all of your accounts, rewarding individuals with longer credit histories. Before you close an account, think about your credit history. It may be beneficial to leave the account open once you've paid it off.

   Of course, if keeping accounts open and having credit available could trigger additional spending and debt, it might be more beneficial to close the accounts. Only you know all the ins and outs of your financial situation, and like thumbprints, they're different for each person. Make sure you carefully evaluate your situation; only you know what can work best for your financial outlook.

6. Be Wary of New Credit

   Opening several credit accounts in a short amount of time can appear risky to lenders and negatively impact your credit score. Before you take out a loan or open a new credit card account, consider the effects it could have on your credit scores. Know too, that when you're buying a car or looking around for the best mortgage rates, your inquiries may be grouped and counted as only one inquiry for the purpose of adding information to your credit report. In many commonly-used scoring models, recent inquiries have greater effect than older inquiries, and they only appear on your credit report or a maximum of 25 months.

More Options for Credit Repair

If your debt feels overwhelming, it may be valuable to seek out the services of a reputable credit counseling service. Many are non-profit and charge small or no fees for their services. You can review more information on selecting the right reputable credit counselor for you from the National Foundation for Credit Counseling. Credit counselors can help you develop a Debt Management Plan (or DMP) and can negotiate to reduce your monthly payments. In many cases, you'll be responsible for only one monthly payment to the credit counseling service, which will then disburse funds to all of the accounts you owe on.

Your credit report may denote that accounts are paid through a Debt Management Plan and were not paid as originally agreed. Using a Debt Management Plan may not negatively impact your credit history when you continue to make payments on-time as agreed under the new terms.

Alternatively, you could consider consolidating your debt via a personal loan or balance transfer credit card. In some cases, debt consolidation loans can provide lower interest rates and reduced monthly payments, as long as you qualify and stick to the program terms.

Fixing Your Credit Fast

Don't worry if you make payments and your credit report isn't updated right away. Creditors only report to Experian and other credit reporting agencies on a periodic basis, usually monthly. It can take up to 30 days or more for your account statuses to be updated, depending on when in the month your creditor or lender reports their updates.

Lenders and others usually use your credit report along with additional finance factors to make decisions about the risks they face in lending to you. Having negative information on your credit report or a low credit score could suggest to lenders that you are less likely to pay back your debt as agreed. As a result, they may deny you a loan or charge you higher rates and fees.

If you have negative information on your credit report, it will remain there for 7-10 years. This helps lenders and others get a better picture of your credit history. However, while you may not be able to change information from the past, you can demonstrate good credit management moving forward by paying your bills on time and as agreed. As you build a positive credit history, over time, your credit scores will likely improve.

Want to instantly increase your credit score? Experian Boost™ will be available in early 2019 and helps by giving you extra credit for the utility and mobile phone bills you're already paying. Until now, those payments did not positively impact your score.

This service will be completely free and can boost your credit score fast by using your own positive payment history. It can also help those with poor or limited credit situations. Other services such as credit repair may cost you up to thousands and only help remove inaccuracies from your credit report.

Information provided by Experian