

MONEY SMART FOR A HEAD START

Rebuilding Your Credit

Whether you have gone through a divorce, bankruptcy, or had to borrow money via credit cards or loans to make ends meet, rebuilding your credit is possible. It may seem like a big job and feel like a slow process because there is no “quick fix” or “magic bullet.” If you are willing to create a plan and stick with it, you can rebuild your credit. It’s worth it because improving your credit lets you borrow when you need it, pay lower interest rates, increase your employment and housing options, and even lower your insurance rates.



Improve your credit by:

- Paying current bills on time.
- Making a plan to catch up with overdue bills.
- Paying down credit card or loan balances.
- Checking your credit report for old or wrong information.
- Looking at options to add to your positive credit history.

Know your current financial situation. If you’re still going through a hard time, you may not be in a position to pay down debt or keep up with current expenses. On the other hand, if your income and expenses are in a good place, now may be the perfect time.

Steps You Can Take Now (for Free!)

There are many things you can do to clean up your credit and raise your score. Avoid debt settlement companies that charge you to do things you can do on your own. To get started:

- **Know your budget.** Figure out how much money you need to cover current bills and how much can go towards paying off past due bills.

- **Check your free credit report** from <https://www.annualcreditreport.com/index.action>. See exactly where you need to improve. Do you have a lot of missed or late payments? Is the amount of debt you have too high? These clues can help you figure out what items to tackle first. Find out more about credit report errors that could be affecting your credit score on page 2.
- **Pay all your current bills on time.** You can start adding to your positive credit history by keeping up with your bills, especially bills reported to the credit bureaus. You can see if your utilities or landlord, for example, report to the credit bureaus by looking at your credit report.
- **Catch up on past due bills.** Overdue bills lower your credit score if they are reported to the credit bureaus. If you’ve gotten an overdue notice, contact the creditor to make a plan to pay off that bill. Will they accept lower monthly payments? Can they waive fees? Not all creditors will be willing to make a deal, but you can always ask.
- **If a past due bill has gone into collections,** you can contact the collection agency to offer a payment plan. There are some things to be wary of when paying off older debt, so you may want to contact a non-profit credit counselor. Many credit counselors offer a free first visit to explore options. To find a reputable counselor: <https://www.nfcc.org/>

Don't Pay for Credit Monitoring

Many companies that promise "free" credit reports want you to sign up for credit monitoring services. You can take these no cost steps to protect yourself.

Monitor your credit yourself

By law you are entitled to a free credit report every week from each of the 3 credit bureaus—TransUnion, Equifax, and Experian at <https://www.annualcreditreport.com/index.action>. You can view all 3 reports at the same time or review your Equifax report one week, Experian the next, etc..

First, make sure the information belongs to you—your addresses, employment, and accounts. Then make sure the information is up-to-date. There are limits to how long negative information can be included on a report:

- Late payments: 7 years from the date the payment was late
- Collection accounts: 7.5 years from the date of delinquency on the original debt
- Bankruptcy: 10 years (Chapter 7), 7 years (Chapter 13).

Check out the videos on this site for more tips and strategies:

<https://finances.extension.wisc.edu/programs/financial-wellness-at-work/>.

You can view ones on how to get your free credit report, how to read the report, knowing your rights if you have debts in collections, and how to create a successful debt repayment plan.

To \$um it up

 Rebuilding your credit takes time—there are no short cuts or secrets.

 To improve your credit, keep an eye on your free credit report at <https://www.annualcreditreport.com/index.action>

 No one will keep an eye on your credit report for you. Making sure your report is correct and up-to-date is 100% up to you.

Want to Learn More?

- Visit our website for more financial education resources. <https://finances.extension.wisc.edu>
- Contact your local Extension Educator: <https://counties.extension.wisc.edu>
- For help with balancing your monthly spending plan, contact the nonprofit National Foundation for Credit Counseling (NFCC) at <https://www.nfcc.org> or 800.388.2227.