

# HOW TO FIX BAD CREDIT

Your credit history is collected by companies called credit bureaus and compiled into a credit report. Having lots of negative information, late payments or loan defaults on your credit report means you have bad credit. If your credit score is low, these steps may help repair the damage:

**STEP 1: Figure out where you stand.** Before you start working on your credit score, you'll want to get copies of your full credit reports from all three bureaus (Experian, TransUnion, and Equifax). You can get your reports for free, once a year, at [www.annualcreditreport.com](http://www.annualcreditreport.com).

**STEP 2: If you find errors, dispute them.** If you see an error on your credit report, contact the credit bureau that made the mistake. Explain the problem and include a copy of the highlighted report along with documentation that backs up your claim.

**STEP 3: Start paying all your bills on time.** If you're behind on any bill, get caught up as soon as you can. On-time payments are the single most important factor to your credit score. Your credit won't improve until you can pay your bills on time.

**STEP 4. Pay down credit card balances.** Take charge of your credit cards by paying down their balances. If you have any outstanding balances, make room in your budget to pay down these debts bit by bit, until they are gone. Once you pay off a card, don't cancel it. Your total amount of available credit affects your score, even if you owe nothing.

**STEP 5: Don't apply for new credit.** Each time you apply for credit it's listed on your credit report as a "hard inquiry". If you have too many within two years, your credit score will suffer.