

How to REBUILD your credit

Recovering from a financial setback can feel like a long journey, but taking the right steps will help you rebuild your credit and reach your goals. Whether you've lost your job, run up credit card debt, had a foreclosure or filed for bankruptcy, you can rebuild your credit over time. It will take work and patience, but the right steps will get you there.

Assess your current financial situation

Rebuilding your credit begins with an honest look at your finances, including all of your outstanding debts and current bills. The first step is to create a plan which lets you make all of your current payments on time without running up more debt.

Request a credit report

Federal law requires the three major credit agencies to provide one free credit report once every 12 months. Check for any errors and have them corrected.

Talk to a credit counselor

Depending on your level of debt, it may be a good idea to consult with a reputable credit counselor. If your monthly payments exceed your income, a credit counselor may be able to negotiate payments you can afford. Working with a credit counseling service will not hurt your credit score.

Delinquent accounts

Pay off delinquent accounts as quickly as possible and work with current creditors to avoid having other accounts go into collection. Collection accounts will stay on your credit report for seven years.

Make payments on time

According to FICO, 35% of your credit score is based on your payment history. This makes it the largest factor in raising your credit score, and the best way to improve your credit quickly. Late payments on any credit cards or loans, even by a few days, can have a negative impact on your credit score.

Reduce your debt

Reducing debt is an important, but difficult step to rebuilding your credit. 30% of your FICO credit score is based on your amount of debt.

Spend below credit card limits

Instead of lowering your credit card limits, work toward keeping your balances well below your maximum available credit. The comparison of your average balance to your credit limit is a factor in your credit score.

Keep old credit cards open

If you have old credit cards without a balance, leave them open. Occasionally using them for small purchases, and paying them off in full each month, may help.

With patience and continued effort, you can rebuild your credit faster than you might think.



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