

Fixing Your Credit



Are you wondering how to fix your credit? No one can legally remove negative information from your credit report if it's accurate and current. But there are steps you can take to fix errors and improve your credit.

Maybe you've heard about credit repair companies and are wondering if they can help? Be careful: many are scams. Here's what you need to know about how to fix your credit.

Credit Reports

What makes my credit good or bad?

Your credit report has information about:

- whether you pay your bills on time
- what loans and credit cards you have, and what you owe on them
- whether you've been sued or arrested or have filed for bankruptcy

The more positive information you have in your credit report, the better your credit will be.

What happens if there's negative information in my credit report?

Credit bureaus sell the information in your credit report to creditors, insurers, employers, and other businesses that use it to make decisions about you. If there's a lot of negative information in your report, you could have trouble getting a loan, or might have to pay more in interest. You also could be turned down for a job, insurance, or some services.

Can I get negative information removed from my credit report if it's true?

Only time can make it go away. Most negative information will stay on your report for seven years, and bankruptcy information will stay on for 10 years. Unpaid judgments against you will stay on your report for seven years or until the statute of limitations runs out, whichever is longer.

There are exceptions. In certain situations — like when you seek a job paying more than \$75,000 a year, or a loan or insurance valued at more than \$150,000 — a credit bureau will include older negative information on your report that wouldn't show up otherwise.

How do I know what's in my credit report?

Each of the nationwide credit bureaus — Equifax, Experian, and TransUnion — is required to provide you with a free copy of your credit report once every 12 months if you ask for it. Go to annualcreditreport.com, call 1-877-322-8228, or use the mail-in form (see p. 6 and 7). Otherwise, a credit bureau may charge you a reasonable amount for another copy of your report within a 12-month period.

You can order free reports from each of the three credit bureaus from annualcreditreport.com at the same time, or you can stagger your requests throughout the year. Some financial advisors say staggering your requests during a 12-month period may be a good way to keep an eye on the accuracy and completeness of the information in your reports. Because each credit bureau gets its information from different sources, the information in your

report from one credit bureau may not reflect all, or the same, information in your reports from the other two credit bureaus.

What happens if a company takes a negative action against me because of something in my credit report?

When a company takes “adverse action” against you, you’re entitled to another free credit report if you ask for it within 60 days of getting notified about the action. The company has to send you a notice that includes the name, address, and phone number of the credit bureau that provided your report.

You’re also entitled to another free report each year if:

- you’re unemployed and plan to look for a job within 60 days
- you’re on welfare
- your report is inaccurate because of fraud, including identity theft

If you think someone might be using your personal information to open accounts, file taxes, or make purchases, go to [IdentityTheft.gov](https://www.identitytheft.gov) to report it and get a personalized recovery plan.

What if I see a mistake on my credit report?

You can dispute mistakes or outdated items on your credit report for free. Both the credit bureau and the business that provided the information about you to a credit bureau are responsible for correcting inaccurate or incomplete information in your report.

Make sure the information in your report is accurate, complete, and up to date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.

How do I dispute mistakes on my credit report?

To take advantage of all your rights, contact the credit bureau and the business that reported the information.

Send a letter to the credit bureau.

Use our sample letter for disputing errors with credit bureaus to help write your own (see p. 12). Your letter should include:

- your complete name and address
- each item you're disputing, and why
- copies (not originals) of documents that support your position
- a request that the mistake(s) be removed or corrected

You might want to enclose a copy of your report, and circle the items in question. Send your letter by certified mail and pay for a "return receipt" so you have a record the credit bureau got it. Keep copies of everything you sent.

Send a letter to the business that provided the information.

Use our sample letter for disputing errors with businesses (see p. 13). Say that you're disputing an item, and include the same information. Again, include copies (not originals) of documents that support your position. Many businesses specify an address for disputes. If the business reports the item to a credit bureau, it must include a notice of your dispute.

How soon will I hear back from the credit bureau?

Credit bureaus have to investigate the items you question within 30 days, unless they reasonably determine that your dispute is frivolous. The credit bureau will forward all the relevant information you gave it about the error to the business that reported the information. After the business is notified, it must

investigate, review the relevant information, and report the results back to the credit bureau.

What happens if the investigation finds there's a mistake?

If the investigation finds there was a mistake, the business has to notify all three credit bureaus so they can correct it in your file. The credit bureaus have to give you the results in writing and a free copy of your report if the dispute results in a change.

If information on your report is changed or deleted, the credit bureau can't put the disputed information back in your file (unless the business that provided the information certifies that it's accurate and complete). The credit bureau also has to:

- send you a notice that includes the name, address, and phone number of the business that provided the information
- send notices of the correction(s) to anyone who got your report in the past six months, if you ask
- send a corrected copy of your report to anyone who got a copy during the past two years for employment purposes, if you ask

What can I do if the investigation doesn't find there's a mistake?

If the investigation doesn't resolve your dispute with the credit bureau, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the credit bureau to give your statement to anyone who got a copy of your report in the recent past. You'll probably have to pay for the credit bureau to do it.

Credit Repair

What is a credit repair company?

People hire credit repair companies to help them investigate mistakes on their credit reports. Credit repair companies can't remove negative information that's accurate and timely from your credit report.

Is using a credit repair company a good idea?

Anything a credit repair company can do legally, you can do for yourself at little or no cost.

Only time and a personal debt repayment plan will improve your credit.

What does a credit repair company have to tell me?

It's illegal for credit repair companies to lie about what they can do for you, or charge you before they help you. Credit repair companies also must explain:

- your legal rights in a written contract that also details the services they'll perform
- your three day right to cancel without any charge, and provide a written cancellation form
- how long it will take to get results
- the total cost you'll pay
- any guarantees

What if I pay a credit repair company, and it doesn't live up to its promises?

You can:

- sue the company in federal court for your actual losses or what you paid the company, whichever is more
- seek punitive damages — money to punish the company for violating the law
- join other people in a class action lawsuit against the company

How do I know if I'm dealing with a credit repair scam?

You know you're dealing with a credit repair scam if a company:

- insists you pay it before it helps you
- tells you not to contact the credit bureaus directly
- tells you to dispute information in your credit report you know is accurate
- tells you to lie on your applications for credit or a loan
- doesn't explain your legal rights when it tells you what it can do for you

These are all bad ideas, and they'll hurt your credit.

If a company promises to create a new credit identity or hide your bad credit history or bankruptcy, it's also a scam. These companies often use stolen Social Security numbers or get people to apply for Employer Identifications Numbers from the IRS under false pretenses to create new credit reports. If you use a number other than your own to apply for credit, you won't get it, and you could face fines or prison.

Where do I report a credit repair scam?

If you have a problem with a credit repair company, report it to:

- your state Attorney General (naag.org) or local consumer affairs office. Many states have their own laws covering credit repair companies.
- the FTC at ftc.gov/complaint or 1-877-FTC-HELP. The FTC can't resolve individual credit disputes, but it can take action against a company for breaking the law.

Is there anything else I can do to improve my credit?

It takes time to improve your credit, but you can rebuild your credit by paying your bills by the due date, paying off debt — especially on your credit cards — and not taking on new debt.

If you're in debt and need help, a reputable credit counseling organization might be able to help. Good credit counselors spend time discussing your entire financial situation with you before coming up with a personalized plan to solve your money problems. They won't promise to fix all your problems or ask you to pay a lot of money before doing anything.

You often can find non-profit credit counseling programs offered through:

- credit unions
- universities
- military bases
- U.S. Cooperative Extension Service branches
(nifa.usda.gov/extension)

Where can I learn more?

Learn more about debt and credit-related issues at ftc.gov/debt.

Sample Letter for Disputing Errors on Your Credit Report with Credit Bureaus

[Your Name]

[Your Address]

[Your City, State, Zip Code]

[Date]

Complaint Department

[Company Name]

[Street Address]

[City, State, Zip Code]

I am writing to dispute the following information in my file. I have circled the item[s] I dispute on the attached copy of the report I received.

This [These] item[s] [identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.] is [inaccurate or incomplete] because [describe what is inaccurate or incomplete and why]. I am requesting that the item[s] be removed [or request another specific change] to correct the information.

Enclosed are copies of [use this sentence if applicable and describe any enclosed documentation, such as payment records and court documents] supporting my position. Please reinvestigate this [these] matter[s] and [delete or correct] the disputed item[s] as soon as possible.

Sincerely, Your name

Enclosures: [List what you are enclosing.]

Sample Letter for Disputing Errors on Your Credit Report with Businesses that Provided the Information

[Your Name]

[Your Address]

[Your City, State, Zip Code]

[Date]

Complaint Department

[Company Name]

[Street Address]

[City, State, Zip Code]

I am writing to dispute the following information that your business provided to [give the name of the credit bureau whose report has incorrect information]. I have circled the item[s] I dispute on the attached copy of the credit report I received.

This [These] item[s] [identify item(s) disputed by type of item, such as credit account, judgment, etc., and your account number or another method for the business to locate your account] is [inaccurate or incomplete] because [describe what is inaccurate or incomplete and why]. I am requesting that [name of company] have the item[s] removed [or request another specific change] to correct the information.

Enclosed are copies of [use this sentence if applicable and describe any enclosed documents, such as payment records and court documents] supporting my position. Please reinvestigate this [these] matter[s] and contact the national credit bureaus to which you provided this information to have them [delete or correct] the disputed item[s] as soon as possible.

Sincerely, Your name

Enclosures: [List what you are enclosing.]



Federal Trade Commission
[consumer.ftc.gov](https://www.consumer.ftc.gov)
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