Avoid Credit Repair Agencies, also called credit services, credit clinics, or similar names. Signing up with these agencies is almost always a really bad choice. They charge a hefty fee and usually cannot deliver what they promise. You generally can do a better job cleaning up your credit record at no cost, these agencies may even make matters worse for you or cause you legal problems.

Correct Errors in Your Report. When you have unpaid bills damaging your credit score, the last thing you want is inaccurate information in your credit file making matters worse. It is amazingly common to find incorrect information in your credit file, and you can take steps to correct this information.

After reviewing the report you received from each of the three major credit bureaus, send a written dispute to each credit bureau that has reported incorrect information. The credit bureau by law must investigate the entry and correct the mistakes. You can also dispute the error with the creditor that supplied the incorrect information to the credit bureau, but you should always make sure you dispute it also with the credit bureau in order to preserve your legal rights. Even if the credit bureau told you they are making the correction, after a period of time obtain another credit report to see if the correction was actually made or whether it has popped up again. Also send the first bureau’s statement of correction to the other two bureaus to ensure it is corrected there too.

You can also send a statement to the credit bureau explaining damaging items. Credit bureaus are required to accept these statements if they relate to why information in the report is inaccurate. They cannot charge to include this statement in your report.

Clean Up Your File with the Help of the Creditor. If the creditor insists information is accurate, the credit bureau is unlikely to change it in its files despite your written dispute. To prevail, you will have to convince the creditor supplying the information. Give the creditor whatever proof you have.

If your debt is in fact delinquent, you can try to improve your credit report by entering into an agreement with the creditor to pay all or some of the debt, up front or in installments. But you should get the creditor’s written agreement to inform the credit bureau to delete any reference to the debt ever being delinquent—otherwise the fact that you were previously delinquent will stay on your report. Another option is for the creditor to agree not to affirm the debt after you dispute it with the credit bureau. The bureau must remove the information if the creditor who supplied it does not affirm it is correct.

Prevent Identity Theft. Just as you do not want inaccurate information on your report, you do not want negative information caused by an identity thief using your Social Security number and credit history to open new credit, cell phone, or other accounts, and then default on those accounts. Below are listed three ways to protect your credit report from identity theft.

The first way is to place a “security freeze” on your credit history, that prevents your credit history from being shared with potential creditors. If your credit files are frozen, a thief will probably not be able to get credit in your name. A new federal law makes security freezes free of charge. If you need to apply for credit, you can ask that the freeze be temporarily lifted.

A second way is to place a fraud alert on your credit report. A fraud alert is a statement added to your report asking creditors to check with you before issuing credit. It requires creditors to take steps to verify the applicant’s identity. This is a less effective than a security freeze in preventing identity theft.

When a credit bureau receives your fraud alert request, it notifies the other major credit bureaus to also initiate a fraud alert. An initial fraud alert lasts one year. An extended alert lasts seven years and requires you to provide additional information, including an identity theft report from an appropriate law enforcement agency.

A third approach is to place a credit “lock” on your report. A credit “lock” is a product that prevents creditors from accessing your credit report, similar to a security freeze. However, it is a voluntary product not governed by federal or state law, so you have fewer legal rights if something goes wrong with the lock.

Shop Around for the Best Credit Offer. Predatory lenders look for consumers with blemished credit records to take unfair advantage with extraordinarily bad credit terms. Do not fall victim, but shop around. You will be surprised at how much better terms you may find even with your blemished credit record. The same credit score may be treated very differently by different creditors.

Don’t be afraid to shop for the best credit because you are worried that too many inquiries will lower your credit score. For some types of credit, such as mortgages or car loans, the credit scoring systems count multiple inquiries during a certain time...
period, such as 14 or 30 days, as only one inquiry because the system assumes you are shopping around. Even when a credit scoring system counts a large number of inquiries against you, it will have only a small impact on your score. Getting affordable credit and paying it off each month will out-weigh any harm caused by too many inquiries.

**Explain the Reason for a Low Credit Score.** When applying for a credit card for example, you will not have an opportunity to explain why your credit score is not representative of your creditworthiness. But other situations will allow you to do so, for example when applying for employment, for rental housing, for insurance, or for a mortgage. For example, you can explain that loss of a job due to an illness caused an old default, but you are healthy now and re-employed. Some businesses will listen to your explanations while others will not. Keep trying until you find someone who will accept your explanation.

**Rely on Someone Else’s Credit Score.** If a husband and wife are seeking credit, and only one spouse has a bad credit record, you can apply in the name of the other spouse, relying exclusively on that spouse’s income and assets. Then the creditor is not allowed to look at the other spouse’s bad credit record. Another option is to apply for credit with a co-signer with a better credit score, but remember that the co-signer will be liable on the debt if you do not pay.

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