How to rebuild your credit

When you experience a financial challenge, your credit record could suffer. Rebuilding it takes time. There are no shortcuts or secrets.

The steps below can help

1. Pay your bills on time, every time

"On time" meansthe payment gets tothe company by the day the bill is due. Mail your bills a few days before they're due.

Think about signing up for text alerts to make sure you don't pay late or miss a payment. Or, consider automatic payments from your bank to help make sure your bills get paid on time. Keep track of automatic payments so you know you have enough money in your account to cover them.

2. Don't get too close to your credit limit

Credit scores consider how close you are to being "maxed out" on credit cards. If you use too much of your available credit, you can hurt your credit score. Experts advise using no more than 30 percent of your available credit — some even say you should use less than 10 percent.

3. Don't apply for too much credit in a short time

Your credit score may go down if you apply for or open a lot of new accounts in a short time. This includes getting a new card so you can transfer balances, or opening a new store card account so you can get a discount.

4. If you can't qualify for a regular credit card, try a secured card

Many banks and credit unions offer secured credit cards. With most of these cards, your credit line starts out small. You put an amount equal to your credit limit in an account as a deposit.

As you show you can pay on time, your credit limit may grow and you may have your deposit refunded. Fees and interest rates can be high for secured cards, but using one can help you to establish a credit record.

5. If you pay with a credit card, pay your balance off every month

You'll build credit by using your credit card and paying on time, every time. Pay off your balances n full each month to avoid paying finance charges. Paying off your balance each month can also build better credit than carrying a balance.

Keep it up

Credit scores are partly based on experience over time. The longer you have credit and pay on time, the more information there is to show you're a good credit risk.

6. Check your credit reports and fix errors right away

You can get a free copy of each of your credit reports from the three nationwide credit reporting companies every year at annualcreditreport.com.

You may find incorrect information that is bringing your score down. If you do, file a dispute with the credit reporting company and with the company that was the source of the information.

How long does negative information generally stay on your credit report?

Bankruptcy	10 years
Foreclosure	7 years
Lawsuits and judgments	7 years or longer

These four things don't help rebuild your credit

1. Using a debit card or paying cash. These transactions don't help you prove you can repay debts.
2. Using a prepaid card. A prepaid card is your own money, loaded on to the card in advance.
3. Taking out a payday loan. Even making on-time repayments might not help your credit.
4. Taking an auto loan from a "buy here, pay here" car lot, unless they promise in writing to report your on-time payments.

Submit a complaint

Have an issue with a financial product or service? We'll forward your complaint to the company and work to get you a response – generally within 15 days.

Online:
consumerfinance.gov/complaint

By phone (180+ languages):
M-F, 8 a.m. - 8 p.m. ET (855)411-CFPB (2372)
(855)729-CFPB (2372) TTY/TDD

By mail:
Consumer Financial Protection Bureau
P.O. Box 2900
Clinton, Iowa 52733-2900

By fax :
(855) 237-2392