Additional Tips to Rebuilding Your Own Credit

If you would like, print this study aid for future reference.

- Recognize when you can realistically start to rebuild your credit. Having poor credit may be necessary or a reality in order to ensure you keep your home, have food and basic utilities for your family, and have transportation in order to work.

- Continue to communicate with your creditors as you rebuild your credit and contact them right away if you cannot meet your payment obligations.

- Reduce your expenses by paying off the balance on your highest rate loans first. These are usually your credit cards.

- Avoid using credit cards or loans for purchases. Plan and pay for future purchases using cash or a debit card linked to your checking account.

- Turn to a reputable credit counselor if you have serious problems paying off your credit card debt. Some can help you for little or no cost.

- Avoid debt consolidation traps. These are loans that you receive in order to help pay off what you owe on several credit cards. They can be either secured loans (e.g., home equity loans) or unsecured loans. Some dishonest lenders may also trick you into signing up to consolidate bills with a loan that costs more than the old loan. This can leave you paying more in interest and loan origination fees. Shop around so that you have a way of deciding on the debt consolidation loan that best meets your needs and budget.

- Avoid debt consolidation companies and credit repair websites that charge high rates and application fees.

- Use bankruptcy as a last resort, as this action will seriously impair your credit rating and reputation.

Bankruptcy:

- Eliminates most debts; certain back taxes, child support, alimony, and student loans must still be paid

- Forces you to pay higher credit rates and receive less favorable terms on future loans

- Stays on your credit report for up to 10 years

- Makes it difficult to get a mortgage, open a bank account, buy life insurance, or get a job when creditors and employers run a credit check to determine your history of meeting past financial commitments

The law now requires that you receive credit counseling before filing for bankruptcy. You should also seek sound legal counsel before filing for bankruptcy. For more information on bankruptcy visit:
• http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre41.shtml
• http://www.uscourts.gov/bankruptcycourts/bankruptcybasics.html