

# REBUILDING YOUR CREDIT

Good credit is a lot like trust it takes years to build but can fall apart in minutes.

But, having a bad or poor credit score isn't the end of the world. If you're simply willing to work hard to improve your credit, then you've already started. Now, you're probably wondering how long it takes to rebuild your credit. The true answer is "it varies."

## What Impacts Your Credit History?

There are many different factors in determining your credit worthiness (i.e. how risky it is to give you a loan). When deciding if they want to approve your loan or credit card application, lenders are especially interested in:

Whether or not you've made past payments on time.

How much you paid off each time do you make minimum payments, pay the entire amount or pay some amount in between?

Your number of open lines of credit, credit cards, mortgages, student loans, etc.

Your Credit Utilization Ratio (your amount borrowed over your available credit) – for example, if you have \$10,000 in available credit and you have an ongoing balance of \$8,500, then you're using 85% of your credit! Limit yourself to utilizing no more than 30% of your available credit each month.

If you have a bad or poor credit score don't despair there might be a couple areas you can improve. One way to pinpoint an area where you're struggling is to request a free copy of your credit report and look for red flags that could use improvement. For instance, if you have several lines of credit open, consider focusing on paying off your cards with the highest interest rates. This will lower your credit utilization ratio, which will help to improve your credit score.

Meanwhile, continue making minimum payments on your other cards that have lower interest in order to build up a history of on-time payments, which plays a major role in determining your credit score.

### Rebuilding With A Secured Card

Get a Secured Credit Card. Once you've discovered what your problem areas are, the next step is to actively rebuild your credit. One of the best ways to rebuild credit is by acquiring a secured credit card. With a secured credit card, you're less likely to have your application rejected (which also dings your credit score), and you're guaranteed to have money available. Some do require security deposits upfront, which can range from a couple hundred dollars. And, although most of these charge an annual fee, they are definitely worth researching.

Think of a secured card as training wheels on a bike: once you're able to maintain stability on your own financial stability, in this case you can remove those "training wheels" (the "secured" aspect of the card) and get an unsecured credit card that doesn't require a deposit upfront.

### So, How Long Will it Take?

If you have a bad or poor credit ranking, it might take several months to a year before you're back in "fair" or "good" territory. The pace of rebuilding your credit depends on how much you're willing to do in order to achieve better credit. This means embracing more frugal habits (such as using coupons and cutting back on those non-necessity items), paying more attention to your payment schedules and using cash more often to avoid racking up large balances on your credit card.

If you follow the above steps in addition to taking out a secured credit card and using it responsibly you could see improvements on your credit report in as little as a couple months. It won't be easy, but ultimately you'll find that the benefits of rebuilding your credit greatly outweigh the downsides.