

## Improving Your Credit the Right Way

**The right way to improve your credit takes time and discipline.** One method that people use is to formulate a personal debt repayment plan. A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years and unpaid judgments can be reported for seven years or until the statute of limitations runs out, whichever is longer. Only passage of time can assure removal of accurate negative information. Some of the advertisements relating to “wiping out debts” are really advising bankruptcy, see *Advertisements Promising Debt Relief May be Officering Bankruptcy* at [www.ftc.gov/credit](http://www.ftc.gov/credit) under *In Debt*.. Some information has no time limits: criminal convictions, information reported in response to a job application when the job pays more than \$75,000 per year or because you’ve applied for more than \$150,000 worth of credit or life insurance. For more information, see *Credit Repair: How to Help Yourself* at [www.ftc.gov/credit](http://www.ftc.gov/credit) under *Credit Reports and Scoring*.

Just because you have poor credit, doesn’t mean you won’t be able to get credit. You may want to contact possible creditors informally to discuss their credit standards since some may consider if your bill paying history has improved, may consider only more recent years, or other criteria.

Credit counselors may arrange for consumers to pay debts through a debt management plan (DMP), where you deposit money each month with the credit counseling organization and then they pay the bills according to a schedule they’ve worked out with your creditors. Sometimes creditors will waive fees or lower interest rates when negotiating a DMP. If you are paying through a DMP, contact your creditors and confirm they have accepted the proposed plan before you send any payments to the organization handling your DMP.

Once you have a creditor-accepted DMP, you should:

- make regular, timely payments
- read your monthly statements promptly to be sure your creditors are being paid according to your DMP
- contact the organization responsible (if you use a third party) for your DMP if you are unable to make a payment or if you discover that creditors are not being paid.

If you don’t make payments on time to your DMP, you can lose the benefits of having a DMP and you may be charged fees and higher interest.

What if my credit counselor has gone out of business? You might get a notice that your DMP is being transferred to another company. You may need to take some action to keep your financial recovery on track. You may need to contact your bank if your DMP payment is being made by automatic withdrawal and start paying your bills directly to your creditors. You may need to notify your creditors that the organization handling your DMP is going out of business. You also should get a copy of your credit report to see if there are any “late” notations that you did not expect. For more information, see *For People on Debt Management Plans: A Must-Do List* at [www.ftc.gov/credit](http://www.ftc.gov/credit) under *In Debt*.

