

Bankruptcy Expert, Timothy McFarland, Offers 12 Easy Steps to Repair Your Credit

By Timothy McFarlin

LOS ANGELES, CA, UNITED STATES, February 12, 2021 /EINPresswire.com/ -- Improving your credit score can mean qualifying for lower interest rates and better terms. That's true whether you need a good credit score to borrow money for personal reasons (a home loan, a car loan, to get a credit card, etc) or so you can purchase inventory, lease a facility, etc., to start or grow your business.

The problem is, credit repair is a little like improving your professional network: You only think about it when it matters. But if you don't have good credit, it's nearly impossible to correct that situation overnight. That's why the time to start repairing your credit is now, before you really need it. Fortunately, it's not too hard to improve your credit score.

Here's a simple process you can follow:

1. Review your credit reports.

The credit bureaus -- TransUnion, Equifax, and Experian -- are required to give you a free copy of your report once a year. All you have to do is ask. (Click the links to request a copy.)

Another way to see your credit reports is to use a free service like Credit Karma. (I'm not endorsing Credit Karma. I like it and think it's handy, but I'm sure other free services are just as



useful.)

Once you've signed up, you can see your credit scores and view the information contained on the reports. Generally speaking, the entries on the different reports will be the same, but not always. For a variety of reasons credit reports are rarely identical.

2. Dispute negative marks.

In the old days, you had to write letters to the credit bureaus if you wanted to dispute errors. Now services like Credit Karma (again, I'm not endorsing CK and only reference it because I've used it) let you dispute errors online.

Just make sure you get the most bang for your dispute efforts. Certain factors weigh more heavily on your credit score than others, so pay attention to those items first.

Start with derogatory marks like collection accounts and judgments. It's not uncommon to have at least one collection account appear on your report. I had two from health care providers I used after having a heart attack; my insurance company kept claiming it had paid while the providers said it had not, and eventually the accounts ended up with a collection agency. Eventually I decided to pay the providers and argue with the insurance company later, but both collections wound up on my credit report.

Fixing those problems was easy. I clicked the "Dispute" button, selected "The creditor agreed to remove my liability on this account," and within a week the dispute was resolved and the entry was removed from my credit report.

You can also dispute errors through each credit bureau. If that's your preference, go here for TransUnion, here for Equifax, and here for Experian.

Keep in mind some disputes will take longer than others. But that's OK. Once you initiate a dispute, you're done: The credit bureaus are required to investigate it and report the resolution.

Spend as much time as it takes trying to have derogatory marks removed because they also weigh heavily on your overall score.

3. Dispute incorrect late-payment entries.

Mistakes happen. Your mortgage lender may report a payment was late that was in fact paid on time. A credit card provider may fail to enter a payment correctly.

You can dispute late payments -- whether in accounts that are current or accounts that have been closed -- the same way you dispute derogatory marks.

Your payment history is another factor that weighs heavily on your credit score, so work hard to clean up those errors.

4. Decide if you want to play the game some credit repair companies play.

So far we've discussed trying to remove inaccurate information only. You can, if you choose, also dispute accurate information.

For example, say an account went to collection, you never paid it, and the collection agency gave up. All that remains is the entry on your credit report. You can still choose to dispute the entry. Many people do. And sometimes those entries will get removed.

Why? When you enter a dispute the credit bureau asks the creditor to verify the information. Some will. Many, like collection agencies, will not. They'll simply ignore the request -- and if they do ignore the request, the agency is required to remove the entry from your credit report.

What that means is that smaller firms, like collection agencies or local lenders or small to midsize service providers, are less likely to respond to the credit bureaus. It's a hassle they don't need. Banks, credit card companies, auto finance companies, and mortgage lenders are a lot more likely to respond.

So if you want -- and I'm not recommending this, I'm just saying it's a strategy some people decide to use -- you can dispute information in the hope the creditor will not respond. (This is the strategy many credit repair firms use to try to improve their clients' scores.) If the creditor doesn't respond, the entry gets removed.

Should you take this approach? That's up to you. (You could argue I shouldn't even mention it, but it is something many people do, so I felt it worth mentioning.)

5. Ask nicely.

Maybe you tried and failed to remove a negative comment, a late payment, or an account that was marked "Paid as agreed" (which might mean the creditor agreed to let you pay less than you owed). Should you give up? Nope. Try asking nicely.

Creditors can instruct credit bureaus to remove entries from your credit report at any time. For example, I hadn't charged anything on a particular credit card for months and didn't notice that I had been charged my annual fee until the payment was late. (Like a doofus, I was just tossing the statements without opening them because I "knew" there were no charges.)

The late payment showed up on my credit report, so I called the credit card company, explained what had happened, that I had been a customer for years, and asked if they would remove the entry. They said sure. And they also agreed to waive all annual fees in the future. (Proving yet

again that if you don't ask, you don't get.)

When all else fails, call and ask nicely. You'll be surprised by how often a polite request for help pays off.

6. Increase credit limits.

Another factor that weighs heavily on your credit score is your credit card utilization: The ratio of available credit to credit used makes a big difference. Generally speaking, carrying a balance of more than 50 percent of your available credit will negatively impact your score. Maxing out your cards will definitely hurt your score.

One way to improve your ratio is to pay down your balances, but another way is to increase your credit limit. If you owe \$2,500 on a card with a \$5,000 limit and you get the limit increased to \$7,500, your ratio instantly improves.

To get credit limits increased, call and ask nicely. If you have a decent payment history, most credit card companies will be more than happy to increase your limit -- after all, they want you to carry a high balance. That's how they make money.

Just make sure you don't actually use the additional available credit, because then you'll be back in the same available credit ratio boat... and you'll be deeper in debt.

7. Open another credit card account.

Another way to increase your credit card utilization ratio is to open a new account. As long as you don't carry a balance on that card, your available credit immediately increases by that card's limit.

Try to get a card that doesn't charge an annual fee, though. Your best bet is through a bank where you already have an account. Granted, cards with no annual fee tend to charge higher interest rates, but if you never carry a balance, the interest rate is irrelevant.

But again, be smart: The goal isn't to get access to more cash, the goal is to improve your credit score. If you think you'll be tempted to run up a balance on a new account, don't open one.

8. Pay down outstanding balances.

I know. You need a higher credit score because you want to borrow money; if you had the money to pay down your balances, then you might not need to borrow.

Still: decreasing your percentage of available credit used can make a quick and significant impact on your credit score. So go on a bare-bones budget to free up cash to pay down your balance. Or

sell something.

Paying down balances may be tough to pull off as a short-term move to increase your credit score, but it should be part of your long-term financial plan. Not only will your credit score increase over time, you won't pay as much interest -- which, if you think about it, is just giving lenders money you would rather stayed in your pocket.

9. Pay off high-interest, "new" credit accounts first.

Age of credit matters to your credit report. Interest rates matter to your bank account. If you have \$100 a month to put toward paying down balances (over and above the required monthly payments, of course), focus on paying off high interest accounts. Then prioritize those by the age of the account. Pay off the newest ones first; that way you'll increase the average length of credit, which should help your score, but you'll also be able to more quickly avoid paying relatively high interest.

Then put the money not spent on that payment into the next account on your list. The "debt snowball" system really does work.

10. Ride some great credit coattails (of a person you trust.)

Say your spouse has a credit card with little or no balance and a great payment history; if he or she agrees to add you as an authorized user, from a credit score point of view you automatically benefit from her card's available credit as well as her payment history.

Keep in mind if he or she makes a late payment, that entry will appear as negative on your credit report too.

So choose your credit card friends wisely.

11. Keep your "old" credit cards.

Your age of credit history has a moderate but still meaningful impact on your credit score. Say you've had a certain credit card for 10 years; closing that account may decrease your overall average credit history and negatively impact your score, especially over the short term.

If you're hoping to increase your credit score but you also need to get rid of a credit card account, get rid of your "newest" card.

12. Pay every bill on time.

Even one late payment can hurt your score. Do everything you can, from this day on, to always pay your bills on time.

And if one month you aren't able to pay everything on time, be smart about which bills you pay late. Your mortgage lender or credit card provider will definitely report a late payment to the credit bureaus, but utilities and cell providers likely will not.

Check the "Accounts" section on your credit reports to see which accounts are listed, and if you have to pay late, choose an account that does not appear on your report.

Then work really hard to make sure you can always pay everything on time in the future. Your credit score will thank you, and so will your stress levels.

And, over time, so will your bank account.

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