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SELECT Portfolio Management, Inc.
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Repairing Poor Credit



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How do you repair poor credit?

Improving poor credit can be a long and arduous process. If you have struggled through a period of financial difficulty, or even filed for bankruptcy, your ability to obtain credit may be compromised long after you have gotten back on your feet. While it may not be easy, there are steps you can take to improve your credit.

Correct errors

Obtain a copy of your credit report. Check it carefully for errors. Make certain that all the information contained in your credit report is correct. If it is not, make sure to correct the errors. Erroneous information only adds confusion, regardless of whether it is derogatory or not.

Add good credit information to your file

By adding positive account information to your credit report, you can mitigate the impact of derogatory credit. There is no law that requires creditors to report information to a credit bureau. Accordingly, you may have several good credit accounts that do not appear on your credit report. You can contact creditors with whom you have a good credit relationship, tell them a credit bureau will be contacting them, and give them permission to release your account information. Next, contact the credit bureau directly to provide the name and telephone numbers of your creditors. For a small fee, most credit bureaus will agree to call any creditor you specify and add their account information to your file.

Tip: The credit bureaus are not required to perform this service. However, the Federal Trade Commission has encouraged them to do so, especially where a report has resulted in an adverse action against a consumer.

Go directly to the creditor to clear your credit record

If your poor credit resulted from circumstances that were beyond your control, and you have reconciled your account since that time, then you may be able to convince your creditor to upgrade your rating out of a sense of customer loyalty. If you were hospitalized, laid off, or subjected to other unforeseen losses, tell the creditor about your circumstances. Explain the hardships you have endured and remind the creditor that your account is now current.

If you have bad debts, you may be able to negotiate away poor credit by agreeing to pay your debts off over a period of time. Contact the creditor and propose a deal in which you will agree to a reasonable repayment schedule if the creditor agrees to upgrade your status with the credit bureau. If the creditor has charged-off your debt, or is likely to charge-off your debt, it may be willing to listen. Most creditors would rather get paid late than not at all. You may be able to work out a deal where you make periodic partial payments, and the creditor, consequently, makes periodic improvements in the information it provides to your credit bureau.

Caution: When trying to negotiate with a creditor, be persistent. If you don't get the answer you want when talking to one customer service representative, politely ask to speak to a supervisor. Keep trying until you get someone's attention, then get your agreement in writing.

Add a statement to your credit report describing your side of the story

You have a right to include a 100-word statement to your credit report to tell your side of the story. Write your credit bureau a letter and include your identifying information. Ask the bureau to include your 100-word consumer statement in your credit file. Mail your statement with the letter. Make it shorter than 100 words, if possible. The more concise the letter is, the better. State the facts. Perhaps you were hospitalized for a period of time and were unable to pay your bills. Or maybe you were laid off and suddenly left without a job. If your credit history shows that you typically pay your bills, such a statement can explain away an isolated instance or period of derogatory credit.

Wait out your credit problems

With a few exceptions, derogatory credit information will be purged from your credit record within seven years. You can wait this period out, then start over. However, in most cases you shouldn't have to wait that long to obtain new credit. The key is to avoid

incurring any more derogatory credit. Every time you do, the seven-year clock gets reset and starts ticking again.

If you can show income stability and prompt payment patterns going forward, your situation will improve within one to three years. Even if you have filed for bankruptcy, you are likely to be offered charge cards and credit cards within a year or two if you have a steady income.

Contact the Consumer Financial Protection Bureau

If at any time during the process to repair your poor credit you feel that your credit reporting rights have been violated, you can file a complaint with the Consumer Financial Protection Bureau. Visit www.consumerfinance.gov for more information.

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