

Rebuild your credit after overcoming debt

Picking up the pieces after falling into serious debt or financial trouble can seem like a daunting task, but repairing your situation is not impossible. It simply takes time, patience and work.

"Understandably, people with bad credit may feel ashamed and embarrassed by their situation and believe there's no way to fix it," said Michael Sullivan, a personal financial consultant with Take Charge America, a national nonprofit credit counseling and debt management agency. "But they can--and will--if they focus on the necessary steps to change the way they approach their money and credit."

Sullivan shares these steps to rebuild your credit:

Pay bills on time--every time: Payment history makes up a big part of your credit score. So, be sure to pay your bills on time, follow any payment plans and bring any past-due accounts current. Consider setting up automatic payments to ensure they're never late.

Become an authorized user: Ask a willing loved one with good credit to add you as an authorized user on one of their cards. This can help improve your score by allowing you to piggyback on their credit history.

Don't max out your cards: Using your cards helps build your credit, but you want to be careful not to max them out. Your credit utilization ratio, which compares your total amount of credit to how much you're using, plays a big part in your credit score. Try to keep it as low as possible by paying off your balances every month.

Be careful with new credit: While opening a new card may help lower your utilization ratio, too many new cred-

it applications can negatively impact your credit score. Plus, new cards may be too tempting if you've struggled with spending in the past.

Review credit reports: As you rebuild your credit, you'll want to keep tabs on your credit reports. You can get one free copy annually from each of the major credit bureaus at AnnualCreditReport.com. Look for inaccuracies and file disputes for any errors you find.

Credit counseling: Consider seeking assistance from a credit counseling agency such as Take Charge America. They can help you create a customized budget to manage your debts and daily living expenses.

For more financial tips and guidance, check out Take Charge America's Financial Education Center or take a free online debt review.

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped nearly two million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

