

# Rebuilding Credit

## A Path Forward

Rebuilding credit does not happen overnight, but with patience and responsible financial habits, it is possible to improve your credit over time. Strong credit can make it easier to qualify for loans, secure lower interest rates, and access better financial opportunities. In some cases, your credit history may also be considered by landlords, insurance providers, utility companies, and employers.

While there is no quick fix for rebuilding credit, understanding what influences your credit score can help you make informed financial decisions and stay on the path toward long-term financial health.

### What Affects How Long It Takes to Rebuild Credit?

The amount of time it takes to rebuild your credit depends on your individual financial situation. For example, recovering from a significant drop on your credit score typically takes longer than improving a credit score that has been only slightly affected.

There are several key factors that influence both your credit score and the time it takes to rebuild it.

- **Payment History:** Your history of making on-time payments is the most influential factor in your credit score. Consistently paying all bills by the due date can help improve your credit. On the other hand, missed or late payments delay any progress.
- **Amounts Owed:** The total amount of debt you carry, and your credit utilization ratio, play a significant role in your credit score. Financial experts recommend keeping your credit utilization below 30% of your available credit.
- **Length of Credit History:** A longer credit history generally benefits your credit score because it provides a longer record of managing credit responsibly.



- **New Credit Applications:** Applying for several new credit accounts within a short period can result in multiple hard inquiries, which may temporarily lower your credit score. Certain loan applications, such as auto loans, are often grouped into a single inquiry when submitted within a designated timeframe.
- **Credit mix:** Managing different types of credit, such as credit cards, auto loans, mortgages, or personal loans, can impact your credit profile by demonstrating experience with various forms of credit.

### How Long Does Negative Information Remain On Your Credit Reports?

Negative information does not disappear immediately, but it also will not affect your credit forever. Most negative items, including late or missed payments, collections, and charge-offs, can remain on your credit report for up to seven years. More serious events, such as certain types of bankruptcies, may remain for up to ten years.

Although some of these items stay on your credit report for several years, their impact typically decreases over time, especially if you are consistently demonstrating responsible credit behavior.

## Ways To Rebuild Your Credit

Developing healthy financial habits is the key to rebuilding and maintaining good credit.

Below are a few strategies to practice responsible financial behavior and help you to rebuild your credit:

- **Pay your bills on time.** Payment history has the greatest impact on your credit score. Setting up automatic payments or payment reminders can help ensure you never miss a due date.
- **Keep credit utilization low.** Aim to use no more than 30% of your available credit. If possible, use less than 30%. By having a low credit utilization ratio, it shows lenders that you are a responsible borrower who does not overextend.
- **Pay your credit card balances in full whenever possible.** Paying your statement balance each month helps reduce interest charges and keeps you well below your credit limits.
- **Apply only for new credit when absolutely necessary.** Limiting new credit applications can help minimize hard inquiries and demonstrates responsible borrowing habits. Try to only apply for credit when you truly need it.
- **Consider a secured credit card.** If you are unable to qualify for a traditional credit card, a secured credit card may be a good option. These cards require a deposit that you will borrow against.

This can help establish a positive payment history when used responsibly. As you stay consistent with on-time payments, your credit limit may increase and your deposit may be returned.

- **Build an emergency fund.** Having savings set aside for unexpected expenses can help you continue to make payments during financial setbacks. An emergency fund can help reduce the need to rely on credit during hard times.
- **Become an authorized user.** Being added as an authorized user on the account of a trusted family member or friend can help build your credit. This only works if the card issuer reports authorized user activity to the credit bureaus. Keep in mind that both the primary cardholder and the authorized user need to practice responsible credit management, as both positive and negative account activity could affect both individuals.

Rebuilding credit takes time, but every positive financial decision brings you one step closer to achieving your goals. By making payments on time, managing debt responsibly, and practicing healthy credit habits, you can strengthen your credit profile and build a solid financial foundation for the future.

## APCI Federal Credit Union & You

We offer a **secured credit card** designed to help borrowers establish or rebuild credit responsibly. This card is secured by APCI FCU funds on deposit and has an easy approval process.

With the same great features as our existing **Mastercard Plus Rewards card**, the secured card option can be a perfect fit for those wanting to start building credit or get their credit back on track.