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6 common dings on your credit and what to do about them

By Allie Johnson

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Got a ding on your credit? Whether the negative mark is a minor dent or a major disaster, you can take steps to lessen the damage.

If the issue is an [error on your credit report](#), you can dispute it with the credit bureaus. But what if the negative mark is accurate?

"It's not going to magically disappear off your credit report, so it's important for everything else around it to look good," says Kevin Weeks, president of the Association of Independent Consumer Credit Counseling Agencies.

First step? Check your credit reports for free at [AnnualCreditReport.com](#). Read them carefully for errors, dispute any mistakes you see, and take note of accurate negative marks you may have.

In some cases, you can erase or mitigate a credit problem from your past.

Here are six common credit dings and what you can do about them:

1. A late payment. Don't worry too much about that one late payment on your credit card from when you landed in the hospital six years ago. The effect of late payments on your credit score depends on three things: recency, severity and frequency, according to [MyFICO.com](#). If you were late due to ongoing financial troubles, visit a credit counselor to get back on track, Weeks says. And set up automatic payments and due date alerts to make sure you pay on time from now on, says Tracy Becker, president of North Shore Advisory, a New York credit repair and restoration company.

As for the blemish on your report, your creditor probably won't remove it regardless of your reason, Becker says. In fact, one of her clients made a late payment due to being in a plane crash but could not get the negative erased, she says. "There's not a whole lot you can do except put it behind you," Weeks says.

2. Too many inquiries. When you apply for new credit, the lender makes an inquiry on your credit. The impact of inquiries varies, but each one generally shaves less than five points off your score, according to MyFICO.com. But because consumers usually shop around and get multiple quotes for a car loan, mortgage or student loan, multiple inquiries for one of those products occurring within about a month are counted as one for credit score purposes. Inquiries stay on your credit for two years, but only affect your score for one, Becker says. She recommends reducing inquiries by showing lenders your credit report yourself to shop rates, then letting only your chosen lender pull your credit.

3. A collection. Maybe you were broke and couldn't pay, or a bill got sent to the wrong address: Now, you've got a collection on your credit. The impact on your score depends mostly on how recently the collection was reported, according to MyFICO.com. However, whether you paid the bill or not has no effect on your score, according to MyFICO.com. Most collectors won't agree to remove a collection from your credit in exchange for payment, Becker says: "But it never hurts to ask." If the bill was sent to the wrong address, though, that's different. In that case, the mail should have been returned to the sender, and the collection agency should remove the collection if you pay, she says.

4. A judgment. Maybe you owe your former landlord, a neighbor whose car you backed into or your credit card company. Any creditor who sues you and wins can get a judgment, which has a negative impact on your credit score even if you pay it, according to MyFICO.com. "A judgment can hurt your credit dramatically," Becker says. For example, a judgment could drop a score of 780 by about 100 points, but would do much less damage to a low score, she says. In some cases, it might be possible to void — in legal terms, vacate — a judgment, Becker says. To find out if that's an option for you, try to get a free consultation with an attorney who handles credit, she says.

5. Maxed out cards. Your credit utilization ratio — how much available credit you're using — has a big impact on your credit. In fact, the amount owed on accounts determines 30 percent of your score, according to myFICO.com. A credit counselor at a non-profit agency can help you create a plan to pay down debt, Weeks says. Also consider selling unused stuff or getting a second job to blitz debt faster, he says. The good news? Paying down balances turns a negative into a positive, Weeks says: "Creditors see that you can manage your finances."

6. Bankruptcy. A bankruptcy is a serious negative that can stay on your credit report for up to 10 years. Check your credit to make sure only accounts that were part of your bankruptcy are being reported with bankruptcy status, MyFICO.com recommends. Then, focus on rebuilding, says Lita Epstein, author of "The Complete Idiot's Guide to Personal Bankruptcy." Start with a secured credit card, in which you put down a deposit that serves as your credit limit, and make payments in full and on time. "Your credit will start getting better, and you can move to more traditional cards," she says.

No matter what your situation, focusing on building good credit can help offset past problems and make you look creditworthy now, Weeks says.

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