



# EdFed

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## Understanding Credit Reporting Laws

Negative information can legally stay on your credit report for seven years, and a bankruptcy can stay in your credit report for ten years. After seven years, you are entitled to have that negative information removed. But understand this little-known fact: your credit information can be reported seven years from the date of last activity.

This is something that trips up most consumers. It's not seven years ago since you last had the bill. It's seven years since the account had any activity on it. So let's say a creditor or bill collector called up two years ago and reminded you about a debt. And just to get them off your back, you went ahead and sent in a payment, even a small one of just say, \$50. Do you realize that you've just restarted the clock, and so now it is another seven years?

Now any negative information, such as a nonpayment for 30 days or more, will be on your credit report for another seven years from the time you made that payment, unless you make other settlement arrangements with your credit. Let me say that I'm not suggesting that you shirk your financial duties. I believe in paying your bills. I also believe that you should take responsibility for your obligations because nobody put a gun to your head and forced you to run up credit card bills.

But we all know that people get into debt for a whole host of reasons, many of which have absolutely nothing to do with lavish spending. I'm talking about individuals, couples, and families that get deep in debt because of job loss, death of a main breadwinner, medical bills, and other crises outside their control.