[**How does Bad Credit happen?**](http://www.creditrepairblog.net/PermaLink,guid,c718aabd-c873-4a28-9b7b-498dd059cf52.aspx)

Six out of ten Americans suffer from a "bad credit rating." Bad credit starts with imprudent choices, maxed-out credit cards, exhausted savings, overdue bills ... then a letter from a collection agency.

This is followed by more letters and phone calls every day. Now each time you submit an application for credit or even a job, you will be troubled and humiliated by the specter of late payments on your credit rating.

Credit grantors tend to view any kind of collection account, whether paid or not, as negative. These negative entries can stay on your report for seven years and in the case of bankruptcy, ten years.

**Here are some scenarios that can put black marks on your credit:**

* You go through a divorce and your spouse maxes out your joint credit cards.
* An unpaid bill from your college years comes back to haunt you.
* A creditor fraudulently places a black mark on your report.
* A contractor you employed places a black mark on your credit report because you refused to pay him for incomplete or substandard work.
* You were late with your credit card payment.

**Things happen in life**: layoffs, poor health, unplanned crises that can have consequences on your credit report.

Divorce and separation can also cause bad credit. This does not mean you have to give up on dreams that you may have, such as owning a home. If the bank turns down your mortgage application, many brokers and lenders may consider you an "A" buyer.

Several companies offer mortgage loans to people with less-than-perfect credit ratings, because homes are very secure collateral. The rates and fees might be outrageous, but even people in bankruptcy and foreclosures can apply.

Automotive credit also plays a part in re-establishing your good credit standing because an automobile is an asset that can be repossessed if things go wrong.

There are two ways you can have bad credit: one is where you can't buy anything on credit, and the other is where you have a bad credit report, but you may still be able to buy on credit. There are also varying degrees of bad credit. Much depends on what you are purchasing and who the creditor is.

If you've reached the end of your tether, filing bankruptcy instead of trying to pay your bills in dibs and drabs can also decrease your ability to purchase on credit.