

Derogatory Credit: What It Means & How To Avoid It

A “derogatory mark” on your credit report can refer to a range of negative notations — a seriously delinquent account or court judgment, for example — any of which is likely to have a decidedly detrimental impact on your overall credit standing. Similarly, a “key derogatory account” is one whose negative status is having an outsized impact on your credit.

Below we’ll take a closer look at what constitutes a derogatory mark, how to deal with such notations on your credit report and steps you can take to avoid run ins with them in the future.

Types Of Derogatory Marks

Derogatory credit report marks come in all shapes and sizes. They’re noted for a variety of reasons, and they impact your credit standing to differing degrees for a period of either seven or 10 years, depending on the infraction. Here’s a breakdown of the major types:



Derogatory Mark	Explanation	Credit Impact
Late Payments	Credit card and loan payments that are 30+ days late Note: Some definitions of “derogatory” exclude delinquency requiring default instead. However, credit expert John Alzheimer says, “Derogatory marks can include a large number of items including delinquent accounts.”	Medium: The percentage of your monthly payments that you’ve made on time is what matters most. One missed payment sandwiched by a perfect payment record won’t do too much damage, but a pattern of late payments will.
Collections Accounts	“ Charged-off ” loans and lines of credit Unpaid medical bills	Medium: Credit card and loan accounts that charged off and were sent to collections will continue to hamper your credit standing until satisfied. Some collections accounts, such as medical bills, will not be considered by all credit scoring models.
Court Judgments	Lawsuits for amounts owed on credit cards, personal loans, etc.	High: In most cases, court judgments for unpaid obligations are accompanied by other derogatory marks, e.g. late payments and collections accounts, compounding the damage.
Other Public Records	Unpaid child support Unpaid alimony Delinquent taxes Foreclosures Auto repossessions	High: The damage will be most severe in cases where money is still owed as the issue has not been laid to rest as far as potential lenders are concerned.
Bankruptcy	Chapter 7 bankruptcy Chapter 11 bankruptcy Chapter 13 bankruptcy	High: Bankruptcy is perhaps the most detrimental of the derogatory marks as it is one of the most serious financial events someone can experience. We recommend contacting a bankruptcy attorney if you have yet to do so.



How To Deal With Derogatory Marks

There are a number of steps that you can take to both limit and rebuild from the damage caused by any derogatory mark that might find its way onto your credit report. None instigates an instantaneous recovery as any derogatory marks all have a definitive timeline associated with them. These measures, however, do promise to make things easier in the long run.

1. **Make Sure The Record Is Accurate:** Your first act in regard to a derogatory mark should always be to verify its legitimacy. Roughly, [one in five](#) consumers has an error on at least one credit report according to the Federal Trade Commission, so it's possible that your derogatory mark is just a mistake. It's probably wishful thinking, but it's worth investigating nevertheless.

To do so, pull [your credit report](#) and consider the record in question. Should you discover that the derogatory mark is not accurate, you can [dispute the notation](#) on your credit report and have it removed from your file.

2. **Pay The Minimum To Stop The Bleeding:** Although the record of a late payment will not be removed from your credit report simply because you paid the debt, doing so will result in your account's status changing from "past due" to "on time." This, in turn, will prevent additional credit damage that could result from a past due balance becoming increasingly delinquent. This principle also applies to other derogatory marks such as collections accounts, but it is not a universal solution.



3. **Do NOT Pay For Credit Repair:** A cardinal mistake in dealing with derogatory marks is believing that it's possible to remove or hide such records. Negative information on your credit report cannot be removed until the [proscribed timeline](#) runs its course, and you won't start again with a clean slate. There's nothing you can do nor anyone you can pay to change that. Falling for such sales pitches from [shady credit repair services](#) will only leave you poorer and dealing with an even bigger mess.

4. **Try To Negotiate:** Lenders and debt collectors are a pragmatic bunch. They'd rather receive some payment than no payment at all, and you can exploit that if you ever find yourself owing money. More specifically, you can try to make a [debt management](#) or [debt settlement](#) offer which would enable you to satisfy your obligation by repaying a lesser amount than you actually owe, either in one lump sum or in monthly installments. Just make sure to enter an agreement you can realistically satisfy, as debt collectors do not look favorably upon people who break the terms of such deals.

5. **Devalue The Negative Record Over Time:** The tried and true method for recovering from a derogatory mark is demonstrating consistently responsible behavior. In other words, you want to essentially minimize the negative information on your credit report beneath a deluge of positives.

The easiest way to do that is to open a credit card account and either pay your bill in full every month or [never make any purchases](#). Credit cards can be free to use, after all, and they relay information to your major credit reports on a monthly basis, thus giving you the potential for consistent devaluation.

If you're fortunate enough not to have any derogatory marks on your credit report, kudos to you. It's important not to rest on your laurels, though, considering that credit score damage is always lurking around the corner. **The best way to avoid a run-in is to focus on fundamentals: make a budget, build an emergency fund and keep a close eye on your credit report.**