

MCGRATH & SPIELBERGER, PLLC

ATTORNEYS AT LAW

Main Office: 3440 Toringdon Way | Suite 208 | Charlotte, NC 28277
Tel: 800.481.2180 | Fax: 800.962.7158 | Info@McGrathSpielberger.com

JASON A. MCGRATH, Partner (Admitted in FL, NC, TN)

JAMES M. SPIELBERGER, Partner (Admitted in GA, SC)

TODD E. GONYER, Of Counsel (Admitted in NC, OH)

JEFFERSON MABRITO, Of Counsel (Admitted in NC, TX)

Personal Bankruptcy, Rebuilding Credit, and the Self Employed

Dear Attorney:

I had a personal bankruptcy in 2005. I have since reestablished credit and started my own business. I am having trouble getting any business loans or credit cards. It was my understanding that the bankruptcy would fall off seven years after I filed. I need help with this matter.

Struggling

Dear Struggling:

A bankruptcy filing stays on your credit report for ten years. General credit accounts such as Visa, a Gap card, etc., take seven years to fall off. An individual's credit really doesn't start to repair until after a debtor receives a bankruptcy discharge.

I don't know what type of bankruptcy you filed. If you did a five-year Chapter 13 plan, you received your discharge in 2010. Since that was only two years ago, your credit may still be recovering. However, if you filed a Chapter 7 bankruptcy, you received a discharge in 2005. Your credit score should have recovered from the bankruptcy by now. Generally, it can take 3 years to recover, but I've seen clients have great credit again within 2 years. If that is the case, your problem isn't with the bankruptcy.

First, I think the self-employed are at a credit disadvantage because the indicators of income are less readily available.

Second, what specific steps have you taken to re-establish credit? Credit building is a game, and you have to know how to play it. Generally, to proactively build credit, you need two or three credit lines. It's best to not ever exceed about 30 percent of the limit on any of them. If you can't get a credit card, contact your local credit union and get a secured credit card. This will help you rebuild your credit.

Third, if you haven't already done so, carefully review your credit report for errors. If you find any, write the reporting agencies and dispute them.

Since you signed "Struggling," I don't know your name. If you have a common name such as Jane Smith, your credit report could be picking up debts of other people. Also, if your credit report shows any accounts that were discharged in the bankruptcy, you should make sure they are designated as "included in bankruptcy" instead of "delinquent."