

Can Bankruptcy Improve Your Credit Score?

Question: Can bankruptcy improve my credit score? I am thinking about filing for Chapter 7, but I keep hearing different information about how it will impact my credit score.

Answer: The quick answer to your question is that people who already have bad credit (FICO score of 330 to 619) will usually see a dramatic increase in their credit rating within 12-18 months after filing for Chapter 7 bankruptcy protection. People with low to average credit (FICO score of 620 to 659) should see a modest increase in their credit score. Most others should see moderate to severe decreases in their credit score.

A consumer's FICO score is a snapshot of their credit worthiness. Your payment history accounts for 35 percent of the total score, so paying your bills on time is very important and the best way to remove most of the bad credit from your credit report. The rest of your credit report is based on how much you owe, the length of your credit history, the types of credit and debt that you have and other factors. Even with a perfect payment history, two-thirds of your credit score based on less objective criteria than your payment history.

As an example of how bankruptcy can improve your credit score, I have a client that filed for Chapter 7 bankruptcy in June 2008 that should see their credit score increase over 100 points. The debtor had credit card debt of almost \$55,000 and a credit score of less than 570. The court granted my client's discharge in September 2008. [By following a few easy steps](#), the client's credit score should reach 670 by June 2009.

A Chapter 7 bankruptcy discharge will accomplish several things to help a debtor improve their credit. First, your creditors can no longer report a delinquent payment history moving forward from the date that your bankruptcy case is filed. Second, your unsecured debt will be listed as zero. Finally, a Chapter 7 bankruptcy allows you to get a fresh start.

About the Author: [Carl H. Starrett II](#) has been a licensed attorney since 1993 and is a member in good standing with the California State Bar and the San Diego County Bar Association. Mr. Starrett practices in the areas of [bankruptcy](#), [business litigation](#), [construction](#), [corporate planning](#) and [debt collection](#).