

REBUILDING YOUR CREDIT SCORE AFTER BANKRUPTCY

Rebuilding your credit score after bankruptcy is not as difficult as one might imagine. Whether you file bankruptcy or not, the most important factor in improving your credit score is the ability to demonstrate a positive payment history, which really comes down to common sense. With that in mind, below are some common sense ideas to help get you started:

First, pay the debts that survive bankruptcy **ON TIME**. Certain debts may be non-dischargeable (e.g. student loans), and others may have been reaffirmed during the bankruptcy (e.g. a car loan). Pay these monthly debts *religiously* and *early*!

Second, you can obtain a secured credit card from a bank. A secured credit card is a type of credit card secured by a deposit account owned by the cardholder. Typically, the cardholder must deposit between 100% and 200% of the total amount of credit desired. Thus if the cardholder puts down \$1000, they will be given credit in the range of \$500–\$1000. But don't make the mistake of using your available credit. Maxing out your credit cards hurts your credit score.

Also, all secured credit cards are not the same. Before signing up for a secured credit card, look for the following:

- No application fee and reasonable annual fee. Some secured cards tack huge upfront and annual charges onto their accounts; you don't need to pay these to build your credit.
- Reports to the major credit bureaus. You're not doing your credit score any good unless your payment history is being reported to the three major bureaus: Equifax, Experian and TransUnion. Before you apply for a card, call and ask if the issuer regularly reports to all three.
- Converts to an unsecured card after 12-18 months of on-time payments. Good behavior should get you upgraded to a regular credit card within a year or two.

Third, obtain revolving debt. It is very difficult on the immediate months after receiving a discharge for a bankruptcy to obtain revolving debt. However, in some cases a friend or family member may be able to add you as an authorized user to an existing credit card account. If the card holder is responsible with the monthly payments, the credit card company will report these payments as a positive payment history on your credit report.

Another option is a high interest credit card. I would highly recommend against using this option to build your credit because the terms and interest rates are horrific. Bankrupts are amazed at the number of credit card offers they receive after their bankruptcy, but remember that suing this cards got you into this mess to begin with!! So be judicious (and sensible!) in deciding which offers to accept.

Fourth, monitor your credit reports from all three bureaus (Equifax, TransUnion and Experian) on a regular basis. I can tell you from personal experience that it is very common for a credit report to have numerous errors. When I checked my credit reports six months ago I had a total of six (6) errors. If there are errors on your credit report, **FIX** them. To fix a mistake, go to each credit bureau web site and file a formal dispute. Since you just filed bankruptcy, your credit

score is VERY fragile and requires vigilance and regular attention. A single late payment could drop your already damaged credit score beyond repair.

The ultimate goal in rebuilding your credit is to demonstrate a history of responsible credit management. This requires time and effort. Remember that because of the bankruptcy on your record, your credit score is very fragile and requires vigilance and regular attention. Fortunately, with each month, and each on-time payment, your credit score will increase.