



Filing for Bankruptcy Can Improve Your Credit Score

by

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Deciding whether to file for bankruptcy is not easy. One main concern is whether your credit rating will be hurt so much that you won't be able to get a loan or home mortgage, even at a high interest rate.

This may surprise you: In many cases, the damage done to your credit score by filing for bankruptcy isn't nearly as bad as you might expect. It may take a while, but your credit score will likely increase so you're once again able to get loans at competitive interest rates.

You see, most people who are far behind in their bills don't have good credit scores to begin with. Often, they already have late payments, high balances, charged-off accounts or collection accounts. As a result, some consumers may see their credit scores increase after filing bankruptcy.

How does this happen?

When you declare bankruptcy, your credit report is nearly wiped clean. Your high balances are deleted, along with any late payments and records of unpaid debts. In their place, the accounts included in the bankruptcy are marked "Included in Chapter 7 Bankruptcy" -- or "Included in Chapter 13 Wage Earner Plan," depend on which type of bankruptcy you filed. Both types of bankruptcy affect your credit score in the same way. This doesn't mean you'll see a big increase in your credit score, but your score won't likely fall that much either.

What's more, in the long run, bankruptcy may help your credit score. After you file bankruptcy, your FICO score is compared with other consumers who file bankruptcy because that's more fair than comparing you with people who have good credit scores. Since some people in that group have bad scores -- and others have good scores -- by managing your credit well, you could achieve a credit score in the 700s.

Don't let your credit score, by itself, determine whether you file for bankruptcy. After all, you must be realistic about your ability to get back on your feet financially. And bankruptcy laws may force you to sell certain assets. Plus, with the tougher bankruptcy rules, the law may not allow you to declare bankruptcy.

So, if you feel overwhelmed by debt payments and are harassed by creditors and collection agencies, bankruptcy will give you a fresh start and chance to achieve financial stability. With good debt management, solid legal financial advice from an experienced bankruptcy lawyer and sound credit repair strategies -- your credit score could be back in the 700s within two or three years.

You're Invited to Call or E-mail.

"If you have questions about bankruptcy, foreclosure, credit card debt, loan modifications,

tax liens or other financial problems, please send your e-mail today to

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