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REPAIRING YOUR CREDIT AFTER BANKRUPTCY: Part Three

Now that you have received your discharge, this article discusses post bankruptcy mistakes that can continue to affect your credit score and how to avoid negative impact.

Real Estate Issues: Surrender of real estate subject to a mortgage in a bankruptcy filing can carry additional obligations beyond the bankruptcy discharge. In most cases, a surrender of real estate during bankruptcy opens the way for the creditor to seek relief from stay to move forward with a foreclosure action. The foreclosure action allows the creditor to attempt to sell the property to pay the debt. If no one purchases the property at the judicial sale, the creditor may purchase the property, thereby removing the debtor's name from the deed.

Reaffirmation Agreements: A reaffirmation agreement in bankruptcy is a new contract signed between you and a lender that reaffirms your debt and personal liability for the obligation. They are voluntary agreements that must be approved by the court to continue to pay an obligation that could be lawfully discharged in bankruptcy.

Do not enter into a reaffirmation agreement if you believe there is even the slightest possibility that you may not be able to stay current with the obligation. If you reaffirm on a debt and later default after the reaffirmation rescission period, you remain obligated on the debt and may not discharge that debt in a subsequent bankruptcy filing.

Credit Cards: Prior to 2005, debtors would regularly receive offers to obtain new credit shortly after their discharge from bankruptcy. While the financial meltdown has tightened all credit, there will still be opportunities to obtain credit even though the bankruptcy filing will remain on your credit report for up to 10 (ten) years. Be wise about incurring new credit after bankruptcy. Don't be in a hurry to reestablish credit in the traditional ways. Use your bankruptcy budget to establish a regular practice of reviewing your actual expenses.

If you still need to tighten your belt, look for other opportunities to cut unneeded expenses from your budget. Don't make the mistake of believing you must have new credit cards to re-establish your credit. Timely payments on reaffirmed

debts, utilities and rental or mortgage payments can be used to demonstrate a consistent credit history.

Co-signers: While you may have been eager to co-sign for others prior to your bankruptcy filing, co-signing definitely has to stop after you receive your discharge. Avoid the pressure to co-sign for family members and friends just because you always did in the past. Remember, you just received a fresh start with a new budget and an opportunity to rebuild your creditworthiness. Don't veer off the path to take on the financial obligations of others. If you are paying expenses for adults that are capable of taking care of themselves, now is the time to make sure that you keep that responsibility where it belongs...with the person enjoying the credit.

To register for an upcoming workshop, go to www.4realdirection.com, email, recept1@4realdirection.com or call Denise Brown's Legal Direction, 502.587.0331. Providing Balanced Counsel to individuals, families and businesses throughout Kentucky and Southern Indiana in bankruptcy and other debt relief options.