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## **REPAIRING YOUR CREDIT AFTER BANKRUPTCY: Part One**

In 2009, new bankruptcy filings increased by over 35% from 2008. All of these persons are now on a new path to financial freedom and rebuilding their credit score for the future. Here are some facts and tips regarding your credit report, credit score and steps you can take to improve your credit score.

What's a credit score?: Your credit score is a numerical expression based on a statistical analysis of your personal credit file that is designed to assess your ability to repay a credit obligation. Banks and credit card companies review your score in determining how much credit to offer you and at what interest rate.

Credit scores also affect insurance rates, employment and applications to lease apartments. At the end of the day, your credit report provides a potential creditor or employer to rate your risk for assuming debt based on your credit history.

How is my score determined?: The Fair Isaac Corporation, known as FICO, created the first credit scoring system in 1958. This report has recently been updated, FICO 08, but is not being used by all agencies. In FICO 08, minor credit delinquencies are not counted against you when your overall repayment history is positive.

There are five factors which affect your score: payment history, how much debt you currently owe, how long you have had credit, how many credit inquiries have been made and what type of credit do you have.

How long does negative information impact my credit score?: Depending on the type of information, negative information can stay on your credit report for up to seven years. In the case of bankruptcy filing, it can remain even longer, up to ten years.

Remember, each individual has a personal credit file and that means that the impact from person to person may affect individuals differently. The bottom line is to minimize and eliminate these negative credit actions.

FICO has released some guidance on how different negative activities affect your score. The higher your credit score, the more impact to your credit score. This indicates that you are getting in over your head and so the penalty for negative credit activity is much higher than if you have a low credit score. (Except in the case of bankruptcy)

In other words, you should do all that you can to protect your credit score. Don't ignore negative information, when appropriate, dispute the credit event.

	Effect on a 680 score	Effect on a 780 score
Maxed-out card	-10 to -30	-25 to -45
30-day late payment	-60 to -80	-90 to -110
Debt settlement	-45 to -65	-105 to -125
Foreclosure	-85 to -105	-140 to -160
Bankruptcy	-130 to -150	-220 to -240

To register for an upcoming workshop on credit repair, go to [www.4realdirection.com](http://www.4realdirection.com), email [recept1@4realdirection.com](mailto: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.