



How Can I Rebuild My Credit After Bankruptcy?

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Having a bankruptcy filing on your credit report is obviously not a positive event. The bankruptcy notation stays on your credit report for 10 years, and does have the effect of lowering your credit score. However, there are steps you can take to minimize the negative effect of the bankruptcy notation, and rebuild your credit after your bankruptcy case is over.

For many people, a bankruptcy notation may not make much of a difference at first, since they may be behind on credit cards, have a foreclosure or repossession on their credit report, or have a high debt-to-income ratio. The bankruptcy discharge generally wipes out the delinquent debt, which improves the debtor's debt-to-income ratio. Some people even find that their credit score is higher after bankruptcy than it was before.

There are steps you can take to help your credit score improve more quickly after a bankruptcy:

1. Pay Your Secured Debts On Time. The most important step you can take to improve your credit score is to make on-time payments on your mortgage, cars, and any other secured debt you have, such as furniture payments. Prompt payment of secured debt has a positive impact that grows over time.
2. Get One Credit Card. At first, the credit card offers you receive after a bankruptcy will have very unattractive rates and rules. Often, you may be offered a credit card with a low limit, usually around \$250, but the card may arrive with most of that limit already eaten up by an array of fees. Shop around, and find a card without such unfavorable terms, and consider a "secured" credit

Kraft & Associates
2777 Stemmons Freeway
Suite 1300
Dallas, Texas 75207
Toll Free: (800) 989-9999
FAX: (214) 637-2118
E-mail: info@kraftlaw.com

card, which ties a savings account to the card so the issuer can easily pay itself from the account. Sites such as Bankrate.com can help you search for a card that meets your needs. Charge a small amount on the card each month, and pay it off completely.

3. Buy a Used Car From a Reputable Dealer. Many “tote-the-note” car lots do not report your payments to the credit reporting agencies, so your on-time payments have no effect on your credit score. However, reputable car dealers often have a wide selection of used cars, and if you have a reasonable down payment, you can negotiate an affordable interest rate.
4. Consider a Mortgage. If you do not already own a home, you may find it difficult to get a mortgage within the first two years after a bankruptcy. However, with the high number of foreclosed properties, many banks are being more flexible about bankruptcies. Loans guaranteed by the FHA may be available more readily than other home loans.

The most difficult thing for many former bankruptcy filers to resist is the onslaught of credit offers they will receive right after their case is concluded. Many creditors will take a chance on a bankruptcy filer, because they know that those people cannot apply for bankruptcy protection again for up to eight years. Thoroughly investigate any credit offers before accepting them, and avoid the temptation to take on too much debt at one time. By working logically and steadily to improve your credit, you can recover from your bankruptcy quickly and maintain the fresh start that your case afforded you.