

## Can I Keep a Credit Card if I File Bankruptcy?

During the initial consultation I often hear clients say, "I want to keep one of my credit cards out of my bankruptcy." Unfortunately there is a common misconception that you are allowed to pick and choose what debts are included in your bankruptcy. Furthermore, if you have a credit card with a balance, failure to list it on the bankruptcy petition could be constituted as perjury. The same goes for assets. You must list all of your assets and all of your liabilities.

However, you are not required to list zero balance creditors on your schedules. With that said, if you pay off a credit card within a close proximity of filing, the trustee can recover the funds from the creditor and you will no longer have a zero balance. Furthermore, even if you do not list the creditor on the petition because it has a zero balance, I have found that credit companies frequently discover your bankruptcy and close out your account anyway.

You can however keep a credit card if you decide to reaffirm the debt. Credit card companies will normally allow you to enter into a new agreement to repay the debt called a reaffirmation agreement. I would strongly advise against reaffirming a credit card or even obtaining a new credit card after filing bankruptcy. There are other ways to improve your credit that are more beneficial and less risky.

The next inquiry generally is, "What am I supposed to do in an emergency situation without a credit card?", or "How am I supposed to build my credit if I don't have any credit cards?" Fortunately or unfortunately you will be able to obtain a credit card shortly after filing for bankruptcy. In fact, you will probably receive more credit card offers than you have ever seen before. The main justification behind credit card companies offering you a new credit card is that they know you cannot file bankruptcy for quite some time and will be able to collect on debt in the event of default.

Obtaining credit cards after filing bankruptcy is not a good solution to building your credit. Even though you may be establishing a history of on time payments with the creditor, your debt to income ratio may outweigh the positive effects of a good payment history. If you are looking at rebuilding your credit, you will need a good financial plan that includes carrying short term loans through a bank that can be quickly repaid.

If you have a unique situation where a credit card is absolutely necessary, you should consult with a Tucson bankruptcy lawyer in determining whether you should attempt to keep a zero balance credit card, obtain a new credit card after filing, or stay away from obtaining new credit. Our Tucson bankruptcy lawyers are available around the clock to answer your Chapter 7 or Chapter 13 legal inquiries.