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## Little-known Tips on Improving Credit Score Post-bankruptcy

Filing for bankruptcy obviously decreases your credit score. Once you have been discharged from bankruptcy, it is time to take steps to improve your credit score. The good news is that it does not have to take at least seven years to get your credit score back to a healthy level as it was before your bankruptcy. But few people know the surefire and proven things to do to restore credit scores. As a result, most people do things that actually damage their credit score even more.

This is because there are several fallacies people have been conditioned to believe or think are correct because they seem logical. For example, many people think that your credit score will improve if you have less debt or that on-time payments will improve your credit score. While there is nothing wrong with both these practices, but they are not the primary factors that improve your credit score. In other words, even if you reduce your debt and pay your debts on time each month, your credit score may not improve.

So what really improves your credit score? Contrary to some of the popular beliefs floating around, your credit score improves with a good credit to debt ratio. As the name suggests, a credit to debt ratio is the ratio between how much credit you have and the amount of debt you carry given the credit you have. So if the amount of credit you have (from all your credit cards combined) is \$5,000 and your total debts is \$1,000 you have a better credit score than someone else who has a total credit of \$2,000 and total debts of \$500. Get it?

Therefore, after your bankruptcy is discharged you should not be too quick to close your credit card accounts just to decrease your likelihood of debt. The credit bureaus do not lower your credit score based on how many credit cards you hold. They base it on how much debt is outstanding on all the cards in ratio to the total credit you

Likewise, if you have one credit card that has reached its maximum credit limit and 3 others that are hardly used, technically your credit score is better than having 2 credit cards that have both reached half their credit limit. This is because the first scenario has a higher credit to debt ratio (it has more credit compared to debt) than the second.

With these tips, you do not have to wait several years to improve your credit score after bankruptcy.