

# BANKRUPTCY BEAGLE

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## How Should a Second Mortgage Be Reported On My Credit Report After Bankruptcy?

### Question:

I had a Chapter 7 bankruptcy discharged in 11/09. A first and second mortgage were included in this bankruptcy and were not reaffirmed. I have remained in the home and continued to make payments. The first mortgage shows on my credit report as "Included in Bankruptcy," "Balance due \$0." The second mortgage, however, continues to show on my report with a balance due and a payment history, including some 30-day late payments, post-discharge. The mortgages are current and have been for a year. My question is, shouldn't the second mortgage also report as Included in Bankruptcy, Balance due \$0, just as the first Mortgage? Thank you for your time. K.S.

### Answer:

The quick answer, a mortgage (any mortgage, 1<sup>st</sup>, 2<sup>nd</sup> 3<sup>rd</sup>, HELOC, etc.) that is discharged in bankruptcy should appear on a credit report as "included in bankruptcy" and "balance due \$0." A creditor is required to report *accurate and not misleading* information about the consumer's account. Therefore, if a second mortgage was included in a chapter 7 bankruptcy, not reaffirmed, and the judge entered no order excepting the mortgage from discharge, the second mortgage is discharge. So, even if the consumer keeps paying on the mortgage, (the *retain and pay* option), the second mortgage, for credit reporting purposes shall be listed as Included in Bankruptcy, Balance Due \$0, and no further payment history should be reported after the bankruptcy filing date.

A quick note on payment history, any late payments that were reported *before* you filed bankruptcy stay on the report. Those late payments do not get erased. As mentioned above, in a perfect world, your second mortgage should not be reporting any payment history after the date your bankruptcy was filed.

### About Bankruptcy Beagle:

Bankruptcy Beagle is the consumers' companion in finding accurate, reliable, free and low cost information about debt and bankruptcy.

Bankruptcy Beagle is also a tool for attorneys to demonstrate their expertise. Bankruptcy Beagle is an attorney's companion in expertise marketing. We publish attorney written material on our portfolio of websites and publish books written by attorneys.

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To correct the situation, you will want to dispute the entry with the various credit reporting agencies (generally, you can find the dispute process by visiting each agencies website).

However, in your case, you may want to consider letting sleeping dogs lie. If your second mortgage is essentially reporting positive information, e.g. "Paid as Agreed", and showing a decent payment history (notwithstanding a few 30 day late payments), that situation is more beneficial to you from a credit scoring standpoint. Instead of disputing the entire account and getting it listed as "included in bankruptcy", you might want only to dispute the late payment history that occurred *after* your bankruptcy filing date. However, if you did, in fact, pay late, then you have no basis to dispute that payment history.

In any event, assuming a proper chapter 7 bankruptcy discharge, your second mortgage should be reporting as "Included in Bankruptcy" with balance due \$0. In your unique case, since the continued reporting appears more helpful, you may want to bask in the glory of the bank's mistake.

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