

# A Few Words About Bankruptcy

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## Credit after bankruptcy

Those considering bankruptcy frequently worry that they will never get credit after a bankruptcy filing, or that it will be 10 years before they can get credit. Nothing can be further from the truth.

Can I keep a credit card?

Can I get new credit?

Can I ever buy a home?

Is my credit record ruined?

## Can I keep a credit card out of the bankruptcy for use later?

If you owe money on a credit card at the time you file bankruptcy, you must list the card as a debt. Remember, the schedules are filed under penalty of perjury: perjury in connection with your case can lead to denial of discharge of all of your debts. It is also a federal crime.

If you don't owe anything on the card, you don't have to list the credit card account on your bankruptcy petition. However, be advised that the creditors may find out through other means and cancel the card as a precaution. American Express has been known to do this.

Most credit card companies will allow you to keep their credit card for use after bankruptcy if you agree to reaffirm the balance on the card and enter into a new agreement, signed after the bankruptcy filing. The decision is up to the creditor, but most creditors *want* to avoid the loss incurred when the debt is discharged, and *want* your future business.

Our experience is also that newly discharged debtors are frequently solicited for new cards!

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## Can I get new credit after bankruptcy?

In today's competitive lending environment, credit is available to the recently bankrupt but with the credit card crisis not as much as before. However, it may be more expensive than before, and available with lower limits, but it *will* be offered. A secured credit card is usually available post bankruptcy at lower rates than unsecured cards.

Rebuilding credit worthiness after bankruptcy is a matter of being vigilant and discipline. You need to pay your debts on time and if possible, always pay more than the minimum. Be prudent with credit and use it cautiously.

Improving your credit score.

Before plunging back into the credit world, consider the extent to which easy credit led to the bankruptcy filing before you apply for new cards.

### **Can I buy a house after filing bankruptcy?**

Absolutely. Studies show that 18-24 months after a bankruptcy discharge, bankruptcy debtors can qualify for a loan on the same terms as if they had not filed bankruptcy. That means that the lender will be much more interested in your down payment, the stability of your income, and the relationship between the loan payments and your monthly income than your past financial troubles.

### **Is my credit record ruined by filing bankruptcy?**

In my opinion, bankruptcy is no more harmful to your credit record than the financial circumstances that led to the bankruptcy filing. I believe it is much more important for your future financial health to look at your net worth (assets minus debts) than at your ability to borrow in the future.

Most debtors in bankruptcy proceedings, even those who have never missed a payment, couldn't get new credit from a lender who truly looked at their financial condition. So the fact that there are no negatives on their credit report is only marginally meaningful when looking at the whole picture.

Bankruptcy at least makes all the debt shown in the negative history unenforceable. Objectively, a debtor is a far better credit risk *after* bankruptcy than before. Subjectively, credit managers are individuals who may not understand bankruptcy or look beyond its negative aspects.

Remember that a bankruptcy is not going to erase the record of your debts listed in your bankruptcy. Credit reporting agencies are within their rights in showing accurate history about your financial affairs. You want to make sure that the bankruptcy discharge also shows on the credit report so that creditors understand that those old creditors have no legal claim remaining. Correct any errors on your credit report.