

# 1. Bankruptcy in Brief

a service of the Banks Law office

## Credit reports

As consumers, we have been trained by the credit industry to equate the contents of our **credit report** with our **credit worthiness**. The two are *not* the same.

A credit report may show that you have faithfully made every payment on time for your entire life and still you are not worthy of more credit because you can't ever pay off the credit you have.

### What is a credit report?

A credit report is a history. Under federal law, you are entitled to an accurate history, but not to a re writing of truthful history. That history can properly include delinquencies or bankruptcy.

A bankruptcy discharge will not erase discharged creditors or your pre bankruptcy payment history. After a bankruptcy discharge, the amount outstanding for each discharged account should be shown as **zero**.

Your credit report is not a reliable guide to everyone you may owe money to. Not all creditors report to credit reporting agencies; your credit report lists only those that do report and the contents of the public record.

The notation that a debt is charged off does not necessarily mean it is not legally enforceable. "Charge off" is essentially an accounting term that indicates that the creditor doesn't expect to collect the debt; a charge off alters the creditor's income for tax purposes. It does not relieve the debtor of legal liability for its payment.

### Credit reports after bankruptcy

Your bankruptcy can be reported on your credit report for 10 years from the filing of the case. If you file a bankruptcy and voluntarily dismiss it before the discharge, the credit reporting agency **must** report the dismissal as well as the bankruptcy filing.

Assuming you have income, you should be **more credit worthy** after a bankruptcy than you were before, since your old debts no longer have a claim on your future income.

After the discharge, you are entitled under federal law to have the balance of each discharged debt reported as "O". The history of delinquencies can be reported, but the balance must be zero. If it is not so reported, dispute the debt.

Negative history on your credit report is just that: history. It does not doom you to perpetual credit rejection. It does challenge you to strengthen your financial present by saving and using credit carefully.

### **Fixing your credit report**

You don't need to hire anyone to see that errors in your credit report are corrected or positive information is reported. In fact, many credit repair offers are scams that, at best, waste your money and, at worst, involve you in a crime.

Under the Fair Credit Reporting Act, you can challenge information that you believe is inaccurate. If the reporting agency can't verify the accuracy of the information, they must remove it.

If you have received a discharge in bankruptcy, it is in your interest to have the discharge noted on your report, since it is proof that the old debt is no longer legally enforceable.

Consumers are entitled to a free credit report annually from each of the major reporting agencies. Access that free credit report.

