

Building Credit after Bankruptcy – Things to know and remember

1. Can be back to average credit in around 2 years after bankruptcy if take certain steps
2. Need to use credit to rebuild credit (can't sit on the sidelines)
3. Two types of credit needed to rebuild credit quickly
 - a. Installment – Auto, Student, Mortgage (two recommended)
 - b. Revolving – Credit Cards, Home Equity Line (three recommended)
4. Getting a credit card after bankruptcy – may have to get a secured card (secured means that you put money down for the credit card)
 - a. Things to remember when getting a secured card after bankruptcy
 - i. Don't use more than 30% of the secured balance
 - ii. Pay off the secured card every month
 - iii. Shop around for a good secured card
 1. Card Should have no fees
 2. Should report to credit bureaus
 3. Should convert to unsecured card after some time
5. Credit reporting companies
 - a. Request a free credit report from each of the three agencies
 - b. Send a copy to the Bankruptcy papers with schedules to the three credit reporting companies requesting the trade lines be updated
 - c. Follow up to make sure that all trade lines are reporting as “included in Bankruptcy” and balances are now “0”
6. Pay rent, utilities, and all bills on time
7. Build stable history of employment
8. Any loans that have been reaffirmed must stay in excellent standing
9. What makes up your credit score?
 - a. Length of History 15%
 - b. Types of Credit 10%
 - c. Balances 30%
 - d. New Credit 10%
 - e. Payment History 35%
10. Getting a Mortgage after Bankruptcy
 - a. FHA Loan
 - i. Can purchase while still in a Chapter 13 as long as payments have been on time and you can get permission from the Courts (If trying to strip off a second on your property then the Chapter 13 must be complete)
 - ii. On Chapter 7 you can obtain a new mortgage loan 2 years after discharge unless you have included a home in the Bankruptcy which will delay your ability to purchase a home to 3 years after discharge
 - iii. Reestablishment of credit is required
 - iv. Two year stable history of employment
 - b. Conventional
 - i. Standard time frame is 4 years after discharge, but there are some specialty programs that allow 3 years
 - ii. Reestablishment of credit is required