

Repairing Your Credit After Bankruptcy

One of the biggest concerns of most people considering bankruptcy is how to rebuild credit after filing a bankruptcy. This is certainly a valid concern as credit has become an important part of the American economy and it seems a credit card is needed to do a lot of things in life. The reality is that most people who are contemplating bankruptcy will be a better risk to creditors after filing than before.

The obvious reason is that most people who are thinking about filing a bankruptcy are already falling behind on their payments or have judgments against them. Recent reports indicate that approximately 1/3 of a person's credit score is based on debt to income ratio and approximately another 1/3 of the score is based on payment status. Bankruptcy is going to help most people who fall into these categories because it will allow them to eliminate the debt that has already become overwhelming and get a fresh start.

When applying for credit, creditors will look at credit history and debt to income ratio. When you are saddled with a lot of debt, creditors don't want to give you more credit, out of fear that you will eventually file a bankruptcy on the money or credit they have given to you.

As far as repairing your credit, it will be easier than most people think. The bankruptcy filing gets most filers to a position where creditors will be willing to work with them now. The reason is that after filing, individuals no longer have any unsecured debt and also can't file another bankruptcy for eight years. This gives creditors assurances that they will get their money back from these individuals. So the reality is that after filing a bankruptcy, you will be a better risk than you were before filing.

Most people who file bankruptcy can actually obtain unsecured credit cards and loans within months of filing a bankruptcy. This means that you can get credit without paying any money down to secure the line of credit. However, some individuals may not be able to qualify for unsecured credit cards/loans and may need to either put up money as security or put up assets to secure the loan. In either situation, it is imperative that you begin to establish credit again so that you increase credit limits and reduce interest rates by establishing a post-bankruptcy payment history. That being said, when beginning to reestablish credit you want to make sure that you only charge what you can afford and also to pay off the entire balance each month. If

you fall into the same traps of charging up debt and paying the minimums you will only be falling into the same traps again.

Another way to help rebuild your credit is to continue to pay on debts you had prior to filing your bankruptcy. By continuing to pay on pre-existing debt like cars, student loans or mortgages, it will help you to reestablish your credit by establishing a new history of consistent payments. It also helps your score significantly to pay more than the minimums on these debts. It will also help to get you out of these debts quicker and create assets.

These are a few tips for helping to reestablish your credit after filing a bankruptcy. Obviously, each person has different needs and goals. The best way to determine what is best for you is to contact a representative of Legal Helpers to see if bankruptcy is a good solution for you. You can reach Legal Helpers at 888-743-5787.

[Getting a car loan after bankruptcy](#)