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## **RE-ESTABLISHING CREDIT AFTER A BANKRUPTCY**

The Fair Credit Reporting Act (FCRA) gives consumers specific legal protections when you apply for-and are denied-credit. In order for a credit-reporting agency to do its job properly, it must be provided information, which allows it to do so. A bankruptcy stays on your credit record for 10 years. Its effect on your credit can be minimized after two to three years if you follow some simple steps. A credit record consists of historical information and ongoing information. *The objective you must have* is to create new credit history, which is handled responsibly, while allowing time to elapse for your misfortune to recede into the past.

- ◆ **You must notify the credit bureaus, in writing, that they need to update and –0- out your balances after a bankruptcy. Include a copy of the ‘Discharge’ and the ‘Schedule of Creditors’. It is a good idea to mail this to all three credit bureaus by certified mail.** Otherwise, a credit bureau will retain the (now) erroneous information about debts which have been discharged and for which you are no longer legally responsible. You need to insure that –0- balances are reported on all debts discharged in the bankruptcy. It is important to remember that a credit bureau is a repository of information, not the source of that information. *The source of all credit information is the creditors*, such as credit card companies, department stores, banks and mortgage companies. The credit bureau reports what your creditor told them. Therefore, if you have a bankruptcy what you owed them is wiped out and they have no further responsibility for updating information. This burden falls on you to correct. And until this information is corrected on your credit bureau records and you re-establish credit, getting a mortgage will be difficult or impossible.
- ◆ **Pay early** if you can, **absolutely pay on time** and **never, ever, have a late payment.** Re-establishing credit after a bankruptcy is a delicate matter. If the reason for your bankruptcy was poor financial management on your part, it may seem counter productive to get credit granted to you again. Yet, this is precisely what you must do to re-establish your credit record. In your bankruptcy you may have re-affirmed some debt. If that is the case, be sure to make all future payments EXACTLY on time, allowing enough time for your creditor to post your payment. Do not play “brinkmanship” by keeping your money as long as you can.
- ◆ **If you’ve filed a Chapter 13 bankruptcy**, be sure to make all of your payments on time to the trustee. Keep good records to prove that.
- ◆ **Keep a copy** of your bankruptcy papers, which are also available on the web at <http://www.mnb.uscourts.gov>

- ◆ **Applying for and receiving new credit** will be a difficult matter. Try to join a credit union after your bankruptcy is discharged. In time, while you maintain a good account, it may be easier to borrow money from a credit union because you are a member in good standing.
- ◆ **Remember**....don't bounce checks. That's bad credit, and it will end up on your credit record.
- ◆ **Pay your rent on time**, with a check that you can obtain a cancelled copy of should it be necessary to do so. Pay before a late fee is imposed, even if your landlord says it's OK.
- ◆ **If you need to buy a car**, try to borrow some money from a credit union or bank, which reports to the credit bureau, even if you intended to pay cash. Ask if the creditor reports to the credit bureau, and which one.
- ◆ **Many credit card companies will issue** a "secured" Visa, which means that if you deposit money with them, they lend you your own money. But they report to the credit bureau, and that will help you in the long run. Try to get a secured Visa and pay it absolutely on time.

When credit is denied based on information in a credit report, the credit grantor must tell you the name and address of the credit bureau used to secure the information. Please be aware that contacting any credit bureau by phone or email DOES NOT preserve your rights under the law.

Those names and addresses are:

- ❑ EXPERIAN  
PO BOX 2104  
ALLEN, TX 75013-2104  
(800) 392-1122      <http://www.experian.com/consumer/index.html>
- ❑ EQUIFAX  
PO BOX 740123  
Atlanta GA 30374-0123  
(800) 405-0081 or (888) 909-7304      <http://www.equifax.com/consumers/consumers.html>
- ❑ TRANSUNION  
PO BOX 390  
Springfield PA 19064-0390  
(800) 888-4213      <http://www.transunion.com/consumer/>

If you believe that information on your credit report is inaccurate, the credit bureau must investigate the item within a "reasonable time", generally 30 days, and remove the item if it is inaccurate or cannot be verified as accurate.

The credit bureaus "recommend" that you not apply for credit while a dispute is pending. You have the right to insert up to a 100 word explanatory statement to your report. A credit score takes about 90 days to recalculate and take advantage of updated information. There is no way we can cause this to happen more quickly. If you can provide evidence of an error, we may be able to disregard the erroneous information when making a loan decision.