

# Life After Bankruptcy

## Bankruptcy and Credit - What Happens After Your Debts Are Discharged?

Bankruptcy will remain on your credit report for ten years. But you may be able to get credit fairly quickly - almost immediately after a bankruptcy - although you will pay dearly for it.

Due to anomalies in the credit scoring process, you're likely to have a better score than you had while you were struggling with debt. Also if you handle debt responsibly from then on, you will find your credit score will be close to prime within a few years. Credit scoring gives more weight to more recent events. So if you use of credit is down and you're handling your debts responsibly, your score will go up. Remember you have to use credit to get a credit score.

Many lenders love to extend credit to recent bankrupts. They know you have more free cash because most of your debts were discharged. They also know you can't go bankrupt again for another seven years. So they will extend credit, usually with outrageously high interest rates.

If you managed to keep your car and/or house through the bankruptcy, your first step is to pay these bills on time.

If you have to start fresh expect to pay. A car loan may carry a 21% interest rate. Credit cards you're offered might have an interest rate around 24%. These rates will make it very difficult to stay on top your debt.

Many experts advise that if you need a new car to get it before you apply for bankruptcy and keep your payments up. You'll have a lower interest rate and will be on your way to re-establishing credit.

You might only qualify for a secured credit card at first. You will have to make a deposit of several hundred dollars with a bank, which will then grant you a line of credit in the same amount. If you handle this card correctly, the card will be converted into a regular unsecured card in a year or so. Make sure the lender is making periodic reports about your good behavior to the credit bureaus.

Don't use more than 20 - 25% of your available credit, even if it's only \$500. Pay your bills on time. If you act responsibly, in a few years you will be able to loans and mortgages at rates only slightly higher than prime borrowers get.

If you need to rent an apartment, you might have more difficulty. Landlords who check your credit report might not rent to you at all. Your auto insurance premium will likely rise and you might have difficulty getting a new job. These are some of the downsides of going bankrupt.

Everything is not all brightness and light, but the few sacrifices you will face might be worth the removal of the emotional and financial pain you are suffering every day you struggle with a load of unpayable debt.

Chris Cooper is a retired attorney who has spent several periods of his life deep in debt. At <http://www.credit-yourself.com/> he tries to pass on some of the knowledge he picked up in his journey to become debt free.