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Is There Hope For My Credit After Bankruptcy?

Going through a bankruptcy can be a very traumatic event, both emotionally and financially. Your confidence in your ability to function financially may have been shaken and you may be wondering if there is any hope for your credit after this bankruptcy. The good news is that you can establish good credit again and there will even be lenders willing to loan money to you in the future.

First, you need to realize that bankruptcy does not affect your credit forever. While it can appear on your credit report for as long as ten years, if you immediately start managing your finances better and paying your bills on time, the bankruptcy will have less and less bearing on your credit score as the time passes.

Remember though, that your bankruptcy's effort on your credit will only lessen as you make wise, responsible financial decisions. This may mean changing some of your old habits. If your bankruptcy was the result of consistent overspending on your part, it is time to learn how to live within your means by using a budget. If a financial crisis or medical emergency was the cause of your bankruptcy, it will be important to focus on building up your savings as a safety net for future calamities. Whatever your financial downfall was, now is the time to learn from your mistake and make the necessary changes to rebuild your credit.

You also need to reestablish yourself with some credit soon after a bankruptcy. While you may not qualify for a normal credit card immediately afterwards, you can obtain a secured credit card to start with. This means that you must first deposit a certain sum of money as collateral for your credit expenditures. The deposit will often be equal to the limit you can spend on your card. Once you get this card, you have to be careful not to max it out even though your limit may be small. You are trying to rebuild your credit and that will take consistent smaller charges that you pay off on time every month. Resist the urge to charge more than you can afford to repay at the end of the month. After a period of time of responsible activity with your secured card, your credit will have improved enough to move you up to an unsecured card again.

Another important way to reestablish your credit is with some sort of installment debt. These types of loans might include student loans, mortgages, or car loans. If you have any existing installment loans that were not discharged by the bankruptcy, you should start with these and be very careful to always make your payments on time. If you can, try to pay these loans off quicker than just making the monthly payment requirement would allow for. Your credit will receive a great boost anytime you pay down your debts faster. If you do not have any carry-over loans, you may be disappointed to find that obtaining an installment loan soon after a bankruptcy will probably require you to pay a much higher interest rate. Just realize that this is a necessary part of rebuilding your credit and that you will usually be able to qualify for lower rates after a period of timely payments with the higher interest rate.

A recent bankruptcy will not cripple your credit forever. The key is to change your old financial habits and start anew in building up good credit through smart and sound spending principles.