

# Rebuilding your financial life after bankruptcy takes time

**Q:** My husband and I are going to file bankruptcy within the next two to three months on our personal accounts and our business. What is the best and fastest way to recover once the bankruptcy has been discharged so that we can buy a home and rebuild our financial lives?

**A:** Assuming you move through the bankruptcy process quickly, you'll want to have a plan in place to start rebuilding your financial lives from the day your bankruptcy ends.

And, as you suspect, you'll be rebuilding your credit from the ground up because once you file for bankruptcy, your credit history will disclose that filing and your credit score will drop precipitously. We have to assume that you've already weighed the pros and cons of filing so we will only address the question of what to do after bankruptcy.

If you haven't viewed your credit report in a while, it would be good for you to download a free copy of your credit report from Equifax, Transunion and Experian from AnnualCreditReport.com. You won't have to pay anything to download each report, which you get for free once a year from each of the credit reporting agencies.

AnnualCreditReport.com is run by the three credit reporting agencies, under a mandate from the Federal Trade Commission. They may try to sell you other products while you go through the site, but you can skip the offers and just get your reports. These reports will reflect your current credit report and give you a baseline of where you are financially.

Your report may show late pays on mortgages, late pays on credit cards, missed payments, collections from creditors, and will also show all credit accounts you may have open or closed. The idea going forward is for you to keep every-

thing you do to your credit in pristine shape after bankruptcy. That means paying any bill (credit card, mortgage, rent, car payment, student loan, medical bills, etc.) early and never late. You should also try to pay all of your bills in full.

Paying all of your bills on time and in full should help re-establish good credit and increase your credit score, but it will take time. Each payment you make on time helps improve your credit. After a year, you may receive a few credit card company offers. You should expect the offers to be mediocre, but every credit card (if used properly) will help build your credit. After two years, you may receive more credit card offers with better terms. This must assume that you take the necessary steps to keep your financial house in order.

Each year, you should pull your free copies of your credit report from Experian, Equifax and Transunion. A year or two after your bankruptcy has been discharged, you can approach a mortgage lender or mortgage broker and have them pull a copy of your credit. That pull may ding your credit a bit, but it will give you an outsider's view of whether you are on your goal of improving your credit and credit score. If at one time your credit score was 750, you might find that after the bankruptcy, your credit score might dip down to the low 500s.

If you keep your head down, pay your bills on time and use your credit cards or any credit you have wisely, you may see an increase of up to 100 points after one year or so. When you are in the low 600s, your credit is still too low for most good loan products, but you can keep working at it until your credit score is back to the mid-700s.

Once your score improves, you can then find the right mortgage lender or broker, the right real estate agent, the right attorney and move toward your goal of buying a home.

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