



People who experience difficulty obtaining credit after bankruptcy do so because they do not take the necessary steps to re-establish their credit. Your credit score will not improve on its own. You have to take the initiative to re-establish your credit.

Although bankruptcy is reflected on your credit report, it is still possible to gain renewed confidence from creditors and re-establish your credit. Just follow these five easy steps to rebuild your credit.

Steps

1

2

3

4

5

5 Steps To Rebuild Your Credit

Step One: File bankruptcy

It seems ironic that the first step to re-establishing your credit is to file bankruptcy. Sometimes in life, you have to take a step back to take a step forward. Although a bankruptcy may be reflected on your credit report from seven (7) to ten (10) years, this doesn't mean that you can't re-establish your credit immediately after your case is completed. In fact, many creditors regard you as a better credit risk after you file bankruptcy simply because your debt has now been eliminated, but you still have the same earning potential as before. Additionally, since you will not be able to file another bankruptcy for eight (8) years, lenders may perceive you as a good candidate for future credit. Consequently, there are many lenders who now specialize in providing credit to people who have just completed their bankruptcy. It is not uncommon for our clients to receive credit applications in the mail immediately upon the completion of their case. Obviously, any new credit should be taken out responsibly and managed properly so that you can maintain a healthy financial outlook. We are amazed at how quickly our clients can rebound from their bankruptcy. Many of our clients now enjoy a much more carefree lifestyle with new homes, vehicles and very little other unsecured debt.



Step Two: Live within a budget and use cash for all your spending needs



There is a common mis perception that people who file bankruptcy have misused their credit or spent carelessly. In your experience, a person's spending habits have little, if anything, to do with why they filed bankruptcy. Eight out of ten bankruptcies today are triggered by unexpected medical bills, illness, unemployment and/or divorce. Most of the people we meet who require our services do not have a problem with spending, they just have experienced a rough patch in their life which sent them into a downward financial spiral.

Notwithstanding the above, bankruptcy provides you with an opportunity to wipe the slate clean and start again financially. In this regard, it is a good opportunity to reassess your financial priorities and outline a budget to maintain a healthy financial lifestyle. You may have to sit with your family and discuss your financial goals. We recognize that this may not be easy considering the social, cultural and emotional pressures upon America's middle class. But now is the time to reprioritize your finances.

Budgeting takes determination and discipline. Controlling spending and saving money are essential after bankruptcy. There are many subtle changes you can make to your spending habits to save even just a few dollars a week. Many people can reduce their monthly expenses by simply avoiding impulse buying, paying cash for things and preparing more meals at home. There are also many ways to reduce fixed monthly expenses like insurance and transportation costs.

Step Three: Start a Savings Plan



Have you heard the old adage that cash is king? Well, it is true! Money in the bank is one of the most empowering and inspiring feelings after emerging from a bankruptcy. Since your debts are gone, you should be able to save a little bit each month as long as you stick to your budget. Use the money you have been spending to make minimum credit card payments to start a savings account for yourself. It doesn't have to be much. It's okay to start small. Write yourself a check every month for half of the amount you were sending to

the credit card companies. Or even one-tenth of that amount. You won't even miss the money if you start setting it aside now.

A savings account at a bank isn't your only option. Check into whether your employer has a 401K program or other retirement plans available or start your own individual IRA account. That way you are less likely to spend it. In addition, you may want to explore investing small amounts into mutual funds, CD's or other low risk investment options.

Step Four: Review Your Credit Report



Often, credit reports contain negative entries that don't belong there or are incorrect. It is important that you review your credit report after your bankruptcy to ensure that all your debts are now reflected as discharged and that your credit score is accurate. If you discover inaccuracies with your report, you may challenge them and the reporting agency will correct your file if the information cannot be verified. We may even be able to help you with repairing your credit after your bankruptcy case is over.

Step Five: Obtain new credit.



Many people worry that they will never be able to obtain a credit card again after their bankruptcy. Other people are glad to be rid of credit cards and swear that they will never touch a piece of plastic again. No matter how you feel, credit cards provide you a valuable way to rebuild your credit history after bankruptcy. By rebuilding your credit history, you can qualify for the same low interest rates on home mortgages and car loans as other people do.

You can typically obtain credit if you demonstrate a consistent employment record and signs of financial rehabilitation. Most people find that if, after filing bankruptcy, they promptly make the payments they are left with, such as car payments, house payments, rent or utility payments, they can re-establish their credit soon after filing bankruptcy. Another opportunity to rebuild your credit is by obtaining a secured credit card. In order to obtain a secured credit card, you are required to deposit a certain amount of money with the bank offering the card. Then you are able to

use the card like a regular credit card up to the amount held on deposit by the bank. Secured credit cards offer similar credit benefits as bank loans. In addition, credit unions are an excellent source for car loans after bankruptcy.

Finally, it is very likely that you will receive several unsecured credit card solicitations immediately upon the discharge (completion) of your bankruptcy. We suggest that you fill out and submit for approval a few of these applications, but use the credit wisely. If you use a credit card during any monthly cycle, then make sure that you are in a position to pay it off in full. Anytime you have a remaining balance which carries into another month, you are headed in the wrong direction and warning lights should go off in your head to once again step back and regain control of your spending.

By using your credit card and paying it off in full on a monthly basis as we suggest, your credit score will start to improve dramatically. You will be surprised how little credit you actually need. If you utilize credit intelligently, you can make the system work to your advantage and start the process for a healthier financial lifestyle.

Need additional help or want to get started? The Law Office of Robert Peters is here to help you regain control of your finances and life. Don't wait another day, your initial consultation is FREE, and we can put you on the right path to financial independence once and for all. [Visit our website](#) or call us in Jacksonville (904) 421-6907 or Fernandina Beach (904) 491-1083