

Rebuilding credit after bankruptcy - the short version

Many people ask me about rebuilding credit after bankruptcy. Here's a short-version answer with links to longer articles.

After a discharge (elimination) of debts in a Chapter 7 bankruptcy, typically 3-4 months after filing ...

- **Your debt-to-income ratio is greatly reduced** (that's a good thing).
- **You will probably be solicited for credit cards**, maybe only "secured" ones which make you deposit the amount of money for which you have credit, but also possibly "regular" credit cards. Why? Because they know you can't file another Chapter 7 bankruptcy for eight years and get your debts discharged. These cards will probably cost you a yearly fee; consider that the price of admission.
- **Get a credit card and use it for convenience**, not going over 1/2 the credit limit and always paying it off in full early.
- **Watch out for a new "wrinkle" that's appearing in credit card offers**, which is that interest is charged from the date you charge something on the card. That means you don't get any time to pay it off and not pay interest. Pass those cards by and get one that allows you the normal 25 days or so to pay before interest is charged.



This is what I advise my clients to do. Many have obtained car loans 1-2 years after their bankruptcy.

Prior articles:

[Will bankruptcy ruin my credit \(revisited\)?](#)

[Will bankruptcy ruin my credit?](#)

Malcolm Ruthven
Attorney at Law
San Francisco Bay Area
415.342.4666 Fax 415.869.6645
mruthven@mruthvenlaw.com
ca-bklaw.com



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