

Life After Bankruptcy (06/2009)

Bankruptcy becomes a viable option for someone who is “upside down” in terms of cash flow. In other words, when a person has more money going out each month than coming in, bankruptcy should be considered if no reversal of this negative cash flow is within sight. The longer someone waits to explore the various options available, the more serious his or her situation may become.

One of the worst things people can do in this situation is to borrow more money to try and pay off their debts. On paper, this is clearly an unwise financial decision. In the real world, however, it is very common for individuals to pursue this strategy in an attempt to buy time and hold off on filing for bankruptcy. On the surface, this is certainly a noble notion; however it can often compound the problem and serves only to delay the inevitable.

For many homeowners in the midst of this upside down cash flow, speaking to a qualified mortgage professional is a much better option. An experienced loan officer can objectively look at your finances and help you determine if restructuring your mortgage would not only help, but possibly even alleviate any need for bankruptcy.

If bankruptcy is the only option, seek out a reputable bankruptcy attorney and credit counselor. A qualified mortgage specialist can provide references for you as well, as he or she works with these professionals on a regular basis. Reliable references are essential in this case because experienced professionals greatly increase the odds of a successful bankruptcy experience. It's that simple.

When filing for bankruptcy, be completely honest and accurate regarding every aspect of your financial situation. This includes any changes to your income which may occur throughout the process. Bankruptcy is a federal procedure, adjudicated by real judges, and scrutinized by representatives who coordinate with the Department of Justice, the FBI, and the IRS.

Here are some additional steps you can take to make the bankruptcy process as painless as possible:

- Save all paperwork regarding your bankruptcy, and keep it organized. This will prove beneficial after your bankruptcy as you now have all of the pertinent information in one place. Also, be sure to write down your discharge date. It's surprising how many people forget to do this.
- Establish a household budget. This can be accomplished in many ways, but there are several inexpensive computer programs available which do an excellent job.
- Throughout the bankruptcy, do your best to not only live below your means, but to save as much cash as possible. You never know what you may need it for once the process is completed.
- Be prepared for a barrage of junk mail. There will be sharks on the loose who are hoping to capitalize on your need for credit.

Tips for Rebuilding Credit:

- If you must buy a car, focus on transportation as opposed to style. Buy an inexpensive, used car, and try to get a loan for it. It's a good idea to figure out what your budget allows in terms of a dollar amount first. This means obtaining financing *prior* to looking for a car.
- Get a secured credit card. Secured credit cards allow for the cardholder to deposit a said amount of money into an account, thus establishing the spending limit of the card. Missed payments result in deductions from the account. Some of these cards will reward responsible borrowers by upping the limit without an additional deposit. Some will even convert the account into a traditional credit card. (Be wary of offers of “easy credit” or any card which asks you to call a 900 number. You will be charged for the call.)

- Meet with a credit repair specialist. Not only can they help you clean up the damage to your credit report, they can advise you on specific ways to rebuild the credit you lost as well.

While it does take time, there is definitely life (and credit) after bankruptcy. Some mortgage lenders will even lend to you within a year or so after a bankruptcy. If you're in serious financial trouble, the trick is to get the help and advice you need from professionals you trust.

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