

Peoples Bank

M O R T G A G E

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Bankruptcy Discharge Guide - What's Next?



Your all in one guide to understanding what comes after your completed bankruptcy plan.
Find answers to your questions about obtaining a mortgage after bankruptcy.

This guide was created to help those with an upcoming bankruptcy discharge learn more about what to expect and receive valuable advice that will help with your transition to life after bankruptcy. The steps you take over the next several months will have an effect on your financial future. Following the correct advice will save you time and effort and may set you up to achieve your financial goals in an expedited manner. Peoples Bank has established itself as the industry leader in working with folks who have mortgage needs after a bankruptcy event and we want to ensure you get off to best start possible.

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General Discharge Information & Advice

Once you have completed all payments on your BK repayment plan and completed your financial management course, there are still several steps that will have to be completed before you receive your official discharge notice. Lean on your bankruptcy attorney for more information on this process. Turn around from final payment to official discharge will vary by state/district, but can take up to several months.

Save Bankruptcy Paperwork

Trustee's Final Report and Account

It is important to hold onto your bankruptcy paperwork as you will likely need it at some point in the future. Below are the most important documents to keep and info on how to track down the paperwork you need from public records if you misplace your paperwork.

Proof of Discharge: This is your proof of being discharged from your BK plan and will be sent via mail. This may need to be used as evidence to update your credit report, qualify for a new loan, and or shut down creditors trying to collect on discharged debt.

Voluntary Petition with all Schedules: This is the petition you file on the front end to make arrangements for the payment of your debts. It will include a list of all the creditors and debts to be included in the plan.

Trustees Final Report and Account: This document shows the final pertinent details and dates of your plan. You will also find the summary of disbursements to creditors.

How do I retrieve BK documents through public record?

- a) Pacer.gov will have all of your BK documents ever filed. These can be retrieved and purchased online for 10¢/pg.
- b) You can also track down these documents from the court where you filed.

Plan for Your Financial Future



1- Create and follow a budget: Creating a budget is vital step for all people coming out of bankruptcy regardless of your income or earning potential. Living beyond one's means is the fastest way to fall back into a trap of unsustainable debt. Unexpected events will arise, so be as prepared as possible to weather the storm. There are many great budget templates to use online, we recommend using the template you used during your required financial management course.



2- Develop an emergency fund: Start by saving up a 3 month reserve to use as your emergency fund for those unexpected events. Work to build this up to 6 months within the first 12 months after discharge. You are going to have an improved cash flow once your bankruptcy payment falls off, so be as prudent as possible with these extra funds.



3- Contribute towards your retirement fund: Take advantage of any employer matching programs and set up an automatic withdrawal each month to contribute to your retirement fund. These are the funds you should never touch. It is never too soon to plan for retirement and even a small monthly contribution will add up to a large sum over the years through the phenomenon compound interest.



4- Pay off all credit cards each month and work to pay off all non-mortgage debt: Paying interest on credit card debt is a silent killer. Credit card companies count on people not paying off their balances and missing a payment at some point. As soon as this happens they will vastly increase the APR you are charged. You do need a secured card to rebuild credit, but avoid charging anything you cannot pay off the same month. Mortgage debt is different than consumer debt in that it is tied to an appreciating asset and has tax advantages. Leveraging your mortgage to pay off your consumer debt can be a sound strategy. Our mortgage consultants can tell you how to best leverage debt consolidation and cash out refinance loans.



5- Maintain your home: A home is the largest asset that most people own and many people that file for bankruptcy do so to protect a property. You have likely been on a tight budget over the past 3-5 years and have not been able to put much money back into your home. Shortly after your discharge can be the best time to do complete these repairs. We recommend using equity to do so when possible. Doing so can get you a lower APR and come with tax advantages.

Bankruptcy and Your Credit

What is a Credit Score?

Your credit score is a statistical model to objectively evaluate the creditworthiness of that person based on all the credit information available. Below you will find how different factors affect one's credit score.

Determining Your Credit Score:

- 35% Payment History
- 30% Amounts Owed
- 15% Length of Credit History
- 10% New Credit
- 10% Types of Credit Used



Figure 1.1

The amount you owe on a card is often the factor overlooked by our clients. Maintaining a balance on your credit cards of 10-30% of your limit will maximize your credit score. Payment history will always be the most important.

* Different events remain on a credit file for certain amounts of time (See Fig. 1.2)

EVENT	PERIOD OF TIME
Chapter 7 - Straight Bankruptcy	10 years
Chapter 11 - Reconstruction/Business/Individual	10 years
Chapter 12 - Farm	10 years
Chapter 13 - Bankruptcy/Wage Earner Plan Complete	7 Years if successfully completed. If not, same as Chapter 7 Bankruptcy
Judgments	7 years from date filed
Foreclosures	7 years from date foreclosed
Collections	7 years from date of original delinquency
Paid Tax Liens	7 years from paid date
Unpaid Tax Liens	Indefinitely from date reported
Tradelines	10 years from date paid or closed (Non-derogatory)
Tradelines	7 years from date paid or closed (Derogatory 02 or Higher)
Charge Offs	7 years from date of Original Delinquency
Inquiries	2 years

Figure 1.2

Credit Tips

1. Pull a Free Credit Report and Review

Ensure everything is reporting correctly (credit karma or annualcreditreport.com). Take notes on any items that do not appear to be reporting correctly. You can dispute incorrect information on your report online to attempt to get it removed. We only recommend doing so if it was not included in your BK. Peoples Bank Mortgage will do a full analysis as soon as you are discharged and can help update the incorrect information related to your bankruptcy in an expedited manner.

2. Take Out a Secured Card

Set aside \$300-\$500 to deposit into a secured card as soon as you are discharged. Unless you already have 2 open and active credit cards that have all been paid on time for the past 24 months. Most large banks provide these secured cards at a minimal cost. Shop around for the card with the lowest APR and annual fees. If you would like to do this before discharge, consult with your attorney first as the court would have to approve any new debt before discharge.

3. Do Not Take Out a High Interest Car Loan

Many attorneys suggest to clients that they should take out a car loan right after discharge, in order to help rebuild their credit. You do need to start to rebuild credit, but any car loan for which you will qualify right out of discharge will come with an exorbitant interest rate and corresponding high payment. This will limit your mortgage options and eat up funds you could otherwise use towards saving for your emergency fund. If you are in desperate need of a car, look for low monthly payment used car first. Peoples Bank can also discuss low rate cashout options that can be used to purchase a car or pay off a high interest car loan.

4. Pay Off or Dispute any Collection Accounts

Medical collections will not count against you for mortgage qualification purposes, so do not pay these off at this time. If you are already paying on a medical or non-medical collection account(s), continue to do so: however wait to to pay off any other collection accounts until you have a full credit analysis conducted by one of our mortgage consultant. At times the immediate effect of paying off a collection can be negative to your credit score. Peoples Bank Mortgage will perform a full credit analysis, and then develop a plan to pay off any collection accounts that must be paid.

5. Authorized Users

If you are an authorized user on any accounts with a maxed out balance or where there are derogatory items such as late payments reporting, call the creditor and have yourself removed as an authorized user.

6. Credit limits and balances

As we mentioned above your utilization ratio or outstanding credit balance to limit plays a large role in your credit score. Once you take out a secured card make sure your balance is not more than 30% of your limit before your credit gets pulled. If you are not able to immediately pay down your balances to the ideal balance then you could also request for a higher limit from the credit. This is typically only successful once you credit score is in the 680+ range.

7. Make all payments in full and on time!!

Credit Repair Companies

Credit repair companies have mixed results at best and often over charge for their services. It has become very difficult to distinguish reputable credit repairs companies from flight by night individuals. Use your best judgement here. Our recommendation is to follow the credit tips above and have a free credit analysis conducted by one of our mortgage consultants. We are not a credit repair company and do not charge for our credit advice.

Remaining Creditors

Not all debts will be discharged in your Bankruptcy plan, so it is very important to recognize which debts you will need to continue to pay after your discharge. Further, many debts will not be properly updated on your credit report and/or title work. Getting these properly updated can take a lot of patience and several months time.

Reach Out To Creditors that will Remain After Your Discharge

Many creditors will have been paid off in the bankruptcy plan, however mortgage and student loan payments will continue after discharge. Due to this fact, these loans must be paid on time, and in full. Creditors are not able to contact you directly during your bankruptcy plan. These creditors are not likely aware of any changes to your payment amount or their due dates.



Mortgages:

Mortgage payments with escrow accounts increase over time due to changes in taxes and insurance. Therefore, your payment will likely be higher than what you paid in your bankruptcy plan. The only way to know for sure is to call your mortgage servicer within 1 to 2 weeks of your discharge to confirm your new payment amount. If you paid your mortgage outside of the bankruptcy, we also recommend calling shortly after your discharge to confirm there will be no changes to your payment.

Many clients assume they still owe the same amount after discharge, only to discover that they have underpaid. Due to this mistake their payment will be considered a partial payment and become a late payment. This may keep you from getting a new mortgage if not corrected immediately after discharge.

Student Loans:

Most student loan payments are deferred during bankruptcy. However, those payments generally start back right after your bankruptcy discharge. It is vital to be proactive and reach out to your student loan servicer within 1 week of discharge to confirm when it will be due and the amount.

Title/Deed:

Check with the County, State, and IRS Regarding any Judgments or Liens. Determine if any judgements or liens were paid off in full during your bankruptcy plan. It can take months for the recorder's office to properly update these completions, and this can affect your credit or your home title until they are properly processed. You may not become aware of the title issue until a title search is run.

You can expedite this process by taking your bankruptcy paperwork directly to the recorder's office to get your status updated in their system. If you are not sure any liens or judgements you had were paid off during your bankruptcy plan, then consult with your attorney.

Factors That Can Prevent You From Getting a Mortgage After Bankruptcy

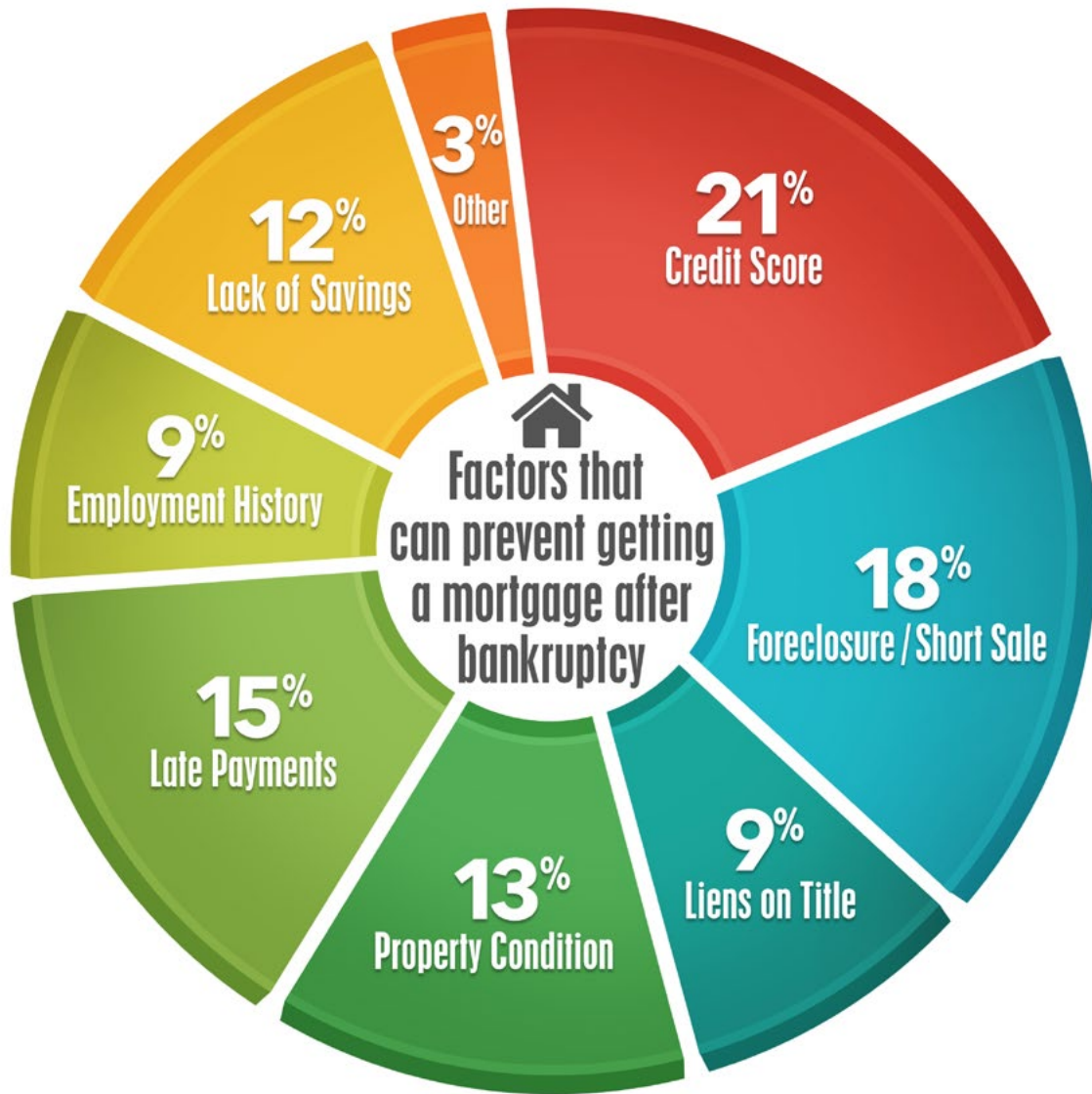


Figure 1.3

Looking Ahead

Live below your means	Pay all your bills on time	Get a secured credit card and pay off every month
Rebuild Credit	Build up a savings and an emergency fund	Focus on the end result: Free of all non-mortgage debt

Why Choose Peoples Bank Mortgage?

You would not trust a dentist's expertise if you had a broken foot, so why would you trust a mortgage lender with no bankruptcy expertise. There are many hurdles that one must overcome after a bankruptcy event, so make as many informed decisions as possible and work with an expert. We have spent over 5 years developing this division which is totally dedicated to helping folks after bankruptcy and we take great pride in the difference we have made in hundreds of individuals and families' lives.

- Community bank that has been serving underserved borrowers since its founding in 1908.
- A+ rated BBB business and Google Business.
- In-house operations with extensive experience in overcoming obstacles faced by a bankruptcy event .
- Full credit analysis and free consumer copy of credit report to ensure that information is properly reporting.
- Educational process that empowers the clients to make informed decisions.
- Title clean up and help updating information with current servicers.
- Relentless pursuit of helping our clients get in a position to qualify for a mortgage solution that makes a real difference in their lives.

Don't just take our word for it. Read what our clients are saying about us. See our [BBB Reviews](#).

We hope you have found this guide helpful and that everything goes smoothly with your discharge and new life thereafter. Please feel free to reach out with any mortgage related questions and don't forget to reach out once you are discharged for your full mortgage consultation.

Peoples Bank Mortgage does not offer legal advice, nor are we credit counselors. You are advised to consult with a licensed attorney in your State, in regards towards questions about your bankruptcy options.

