



AMERICAN  
BANKRUPTCY  
INSTITUTE

## 2018 Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference

# What Do You Mean, My Credit Is Ruined? Credit Scores and Reports

**Hon. Janet S. Baer**

*U.S. Bankruptcy Court (N.D. Ill.); Chicago*

**Harley K. Means**

*Kroger, Gardis & Regas LLP; Indianapolis*

**Laura Migalski**

*TransUnion; Park Ridge, Ill.*

**Paul G. Swanson**

*Steinhilber Swanson LLP; Oshkosh, Wis.*

**Gene Volchek**

*TransUnion; Glenview, Ill.*

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018

**CREDIT SCORES & REPORTS: WHAT DO YOU MEAN MY CREDIT IS RUINED?**

This session will cover the gamut of credit scores and credit reports: how scores are calculated; what goes into improving or hurting a credit score; and what clients can do to improve a credit score—and how to counsel clients on the same.

---

**INTRODUCTION TO CREDIT REPORTS & CREDIT SCORES<sup>1</sup>**

**In this introductory section on credit scoring, we will:**

- Define a credit score
- Visualize how a credit score works
- Highlight main factors of a credit score
- Provide key credit report elements that impact a credit score

**Credit scoring replaces burdensome, error-prone, manual reviews with neutral, empirically-sound results.**

**A credit score is:**

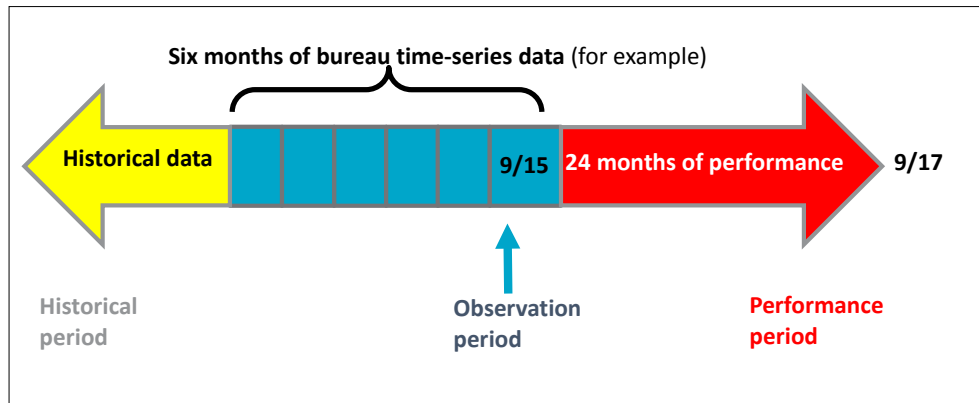
- A **quantification** that represents a snapshot of a consumer's **risk** level based on their credit history at a particular point in time
- A means to capture past credit information to determine the **predictive** characteristics of future payment performance
- An estimate of the odds or **probability** that a particular event such as a delinquency will occur in the **future**

---

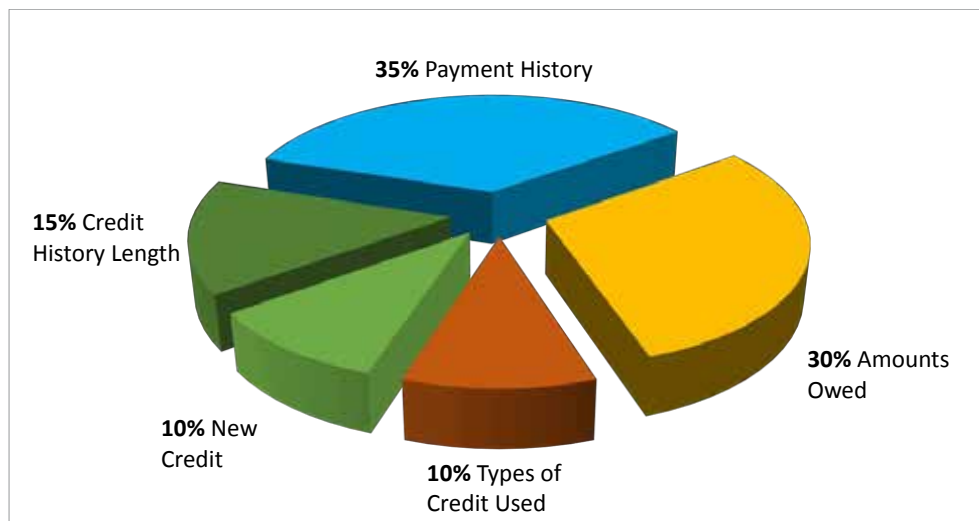
<sup>1</sup> The information and graphics contained in this section are being used with the permission of TransUnion LLC and are subject to copyright. © 2018 TransUnion LLC All Rights Reserved.

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018

To understand credit scores, it's helpful to picture how a model works:



Most generic score are comprised of five key components:



Most common factors that negatively impact a credit score include:

- History of late/past due payments/failure to make payment
- Having no credit/limited availability of credit
- Having too many inquiries
- Proportions of revolving balances to credit limits too high
- Judgments against you/bankruptcy

**COMMON CREDIT REPORTING & SCORING ISSUES PRIOR TO, DURING & FOLLOWING BANKRUPTCY CASES**

**A. Common Credit Reporting and Scoring Issues Prior to a Bankruptcy Case:**

1. Is credit counseling as damaging as bankruptcy?
2. Which type of bankruptcy, Chapter 7 or Chapter 13, negatively impacts a credit score the most?
3. Can a debtor purchase a car after bankruptcy?
4. How long is it before a debtor can purchase a house after a bankruptcy? See “Summary – All Waiting Period Requirements” below.
5. How long before a debtor can obtain a credit card after bankruptcy?
6. How long does bankruptcy stay on a credit report?
7. How much does a bankruptcy impact a credit score?
8. Can a bankruptcy improve a debtor’s credit score?
9. Does filing bankruptcy influence the cost of insurance products such as car and homeowner’s insurance?
10. How can a consumer rebuild their credit after filing bankruptcy?
11. How low will a credit score go after filing bankruptcy?
12. Does filing bankruptcy after judgment/foreclosure/sheriff sale impact a credit score more than filing first?
13. Should a prospective debtor obtain a copy of their credit report before filing?

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018

**B. Common Credit Reporting and Scoring Issues During a Chapter 7 Case:**

1. Can a debtor buy a new vehicle before entry of discharge?
2. What is the effect of a reaffirming a secured debt on a credit score?
3. If a debtor doesn't reaffirm a secured debt but continues timely paying, how with the creditor report to the credit reporting agencies?
4. Does filing effect the credit score of a non-bankrupt co-debtor?
5. Does filing effect a spouse's credit score?
6. Does failing to reaffirm on a secured debt delay a debtor's ability to reestablish their credit score following bankruptcy?
7. Should a debtor open a credit card with a minimal credit limit to reestablish their credit immediately after filing?
8. What is the best way to start rebuilding credit after a bankruptcy?
9. If a debtor must replace a vehicle after filing, what will be the interest rate charged by the lender?
10. If a debtor must replace a vehicle after filing, will they have to purchase the car from a buy here/pay here lender?
11. Will a debtor be able to rent a house or apartment after filing?
12. Can a debtor buy a home on contract with an option to purchase?

**Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018**

**C. Common Credit Reporting and Scoring Issues During a Chapter 13 Case:**

1. Can a debtor buy a new vehicle before entry of discharge?
2. Can a debtor refinance their mortgage during a Chapter 13 bankruptcy? See “Summary – All Waiting Period Requirements” below.
3. Can a debtor purchase real estate during a Chapter 13 bankruptcy? See “Summary – All Waiting Period Requirements” below.
4. Is it true that a Chapter 13 debtor’s credit doesn’t start to reestablish until after a discharge is entered?
5. Is it true that Chapter 13 is worse for credit than a Chapter 7 bankruptcy?
6. How should creditors report to the credit reporting agencies during a Chapter 13 bankruptcy proceeding?
7. How high will interest be on a car or real estate purchased during a Chapter 13 bankruptcy?
8. Should secured creditors report pursuant to the original contractual terms or pursuant to a confirmed plan?
9. Are creditors required to report to the credit reporting agencies?
10. What are the Metro II Guidelines?
11. Can a debtor require creditors to report to the credit reporting agencies a certain way through language included in a confirmed Chapter 13 plan?

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018

**D. Common Credit Reporting and Scoring Issues Following Bankruptcy:**

1. Should all debts be reported as discharged?
2. How should long term debts that survive bankruptcy such as mortgages and student loans be reported following bankruptcy?
3. What if a creditor doesn't properly report that a debtor received a discharge?
4. How does a consumer contest inaccuracies in a credit report?
5. Should a consumer obtain their credit report immediately following bankruptcy?
6. Can a consumer commence litigation against creditors for failing to properly report following a bankruptcy?
7. If so, is the litigation filed in bankruptcy court or elsewhere?
8. What is the Fair Credit Reporting Act?
9. What is the process for bring an action under the Fair Credit Reporting Act?
10. How does a post-petition in rem mortgage foreclosure effect credit? See "Summary – All Waiting Period Requirements" below.
11. Is there a multiplying effect of judgments, foreclosures and bankruptcy?

# AMERICAN BANKRUPTCY INSTITUTE

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018

## E. Summary—All Mortgage Loan Eligibility Waiting Period Requirements:

Derogatory Event	Waiting Period Requirements	Waiting Period with Extenuating Circumstances
Bankruptcy — Chapter 7 or 11	4 years	2 years
Bankruptcy — Chapter 13	2 years from discharge date 4 years from dismissal date	<ul style="list-style-type: none"> <li>• 2 years from discharge date</li> <li>• 2 years from dismissal date</li> </ul>
Multiple Bankruptcy Filings	5 years from the most recent discharge or dismissal date if more than one filing within the past 7 years	3 years from the most recent discharge or dismissal date if more than one filing within the past 7 years
Foreclosure	7 years	3 years Additional requirements after 3 years up to 7 years: <ul style="list-style-type: none"> <li>• 90% maximum LTV ratios</li> <li>• Purchase, principal residence</li> <li>• Limited cash-out refinance; all occupancy types</li> </ul>
Deed-in-Lieu of Foreclosure, Preforeclosure Sale (short sale), or Charge-Off of Mortgage Account	4 years	2 years

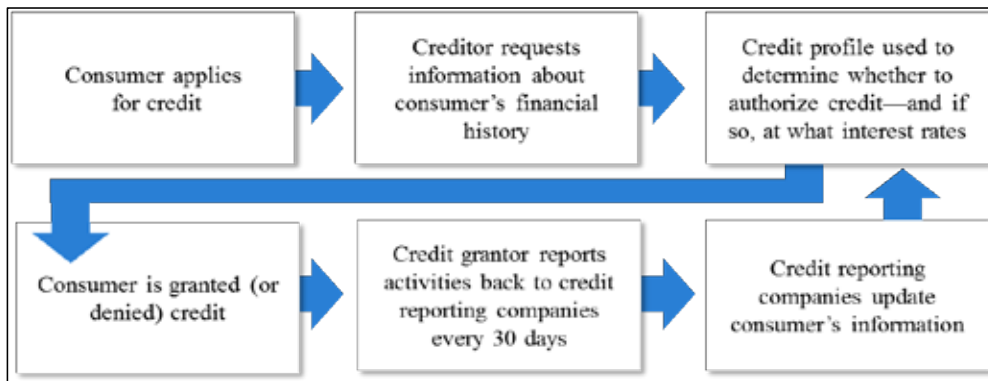
<https://www.fanniemae.com/content/guide/selling/b3/5.3/07.html>

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018

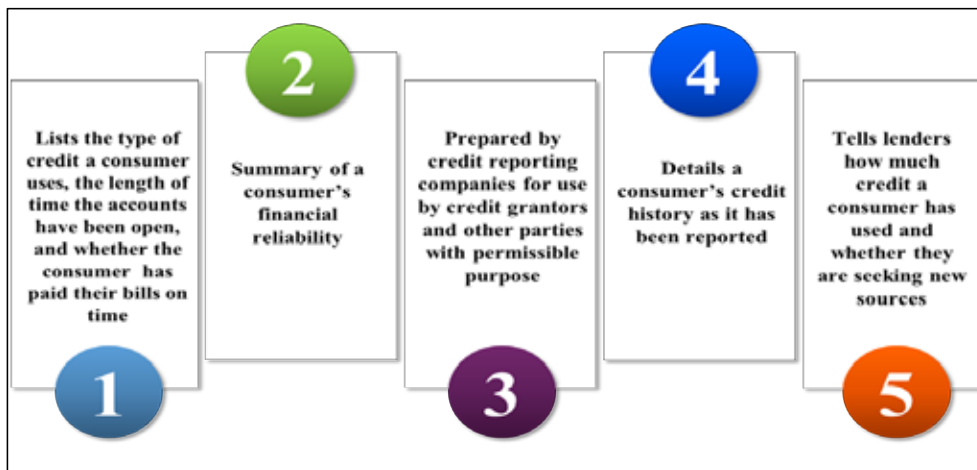
**OTHER HELPFUL INFORMATION ABOUT  
CREDIT SCORES & CREDIT REPORTS<sup>2</sup>**

**A. Credit Reporting 101:**

**1. How it works:**



**2. What is a credit report?**



<sup>2</sup> The information and graphics contained in this section are being used with the permission of the Chicago Chapter of Care (Credit Abuse Resistance Education). Please visit [www.carechicago.org](http://www.carechicago.org) for more information.

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018

3. Types of credit reports:

<b>Consumer disclosure</b> (Consumer version)	<ol style="list-style-type: none"><li>1. Lists all inquiries including limited inquiries and account reviews</li><li>2. Only consumers can request this version</li></ol>
<b>Subscriber report</b> (Credit grantor version)	<ol style="list-style-type: none"><li>1. Abbreviated version of consumer credit report that creditors see</li><li>2. Does NOT contain limited inquiries or account reviews</li><li>3. Contains credit inquiries</li></ol>

4. Elements of a credit report:

<b>What is in a credit report?</b> <ul style="list-style-type: none"><li>✔ Identifying information</li><li>✔ Credit history</li><li>✔ Inquiries</li></ul>	<b>What is NOT in a credit report?</b> <ul style="list-style-type: none"><li>⊗ Race</li><li>⊗ Gender</li><li>⊗ Religion</li><li>⊗ Sexual orientation</li><li>⊗ National origin</li><li>⊗ Medical history</li><li>⊗ Checking or savings account balances</li><li>⊗ Income</li><li>⊗ Driving record</li><li>⊗ Report card</li></ul>
---	---

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018






**5. Credit management tips for clients:**

- The single most important component of your credit score is whether you make **payments on time.**

(A late payment stays on your credit history and impacts your credit score for as long as 7 years. However, the impact lessens as time passes.)

- Check your credit report every three months
- Improve your credit score 50 points or to above 650
- Reduce your debt balances to below 35% of available credit limit
- Create a budget and stick to it
- Dispute negative inaccuracies on your credit report
- Remove expired debts and collection accounts
- Consider refinancing
- Guard against identity theft

**6. Top 5 misconceptions:**

 Your credit score will drop if you check your credit report	 Closing old accounts will improve your credit score	 Once you pay off a negative record, it is removed from your credit report	 Being a co-signer doesn't make you responsible for the account	 Paying off a debt will add 50 points to your credit score
--	--	--	--	--

**Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018**

**7. Steps to take when your client finds a mistake:**

1. First, correctly identify inaccurate information
2. Next, contact the credit grantor responsible for the inaccuracy and try to resolve the issue
3. If this does not work, contact the credit reporting company(s) reporting the inaccurate information
4. Credit reporting company(s) will investigate the issue
5. At the conclusion of the investigation, or within 30 days, you'll be contacted

**2018 HON. EUGENE R. WEDOFF SEVENTH CIRCUIT CONSUMER BANKRUPTCY CONFERENCE**

Hon. Eugene R. Wedoff Seventh Circuit Consumer Bankruptcy Conference, October 8, 2018

**B. Credit bureau contact information for attorneys and clients:**

---

<b>TransUnion</b>			
<i>Order Credit Report:</i> P.O. Box 1000 Chester, PA 19022  (800) 888 – 4213 (877) 553 – 7803 (TDD)  <a href="http://www.transunion.com">www.transunion.com</a>	<i>Dispute Information:</i> P.O. Box 2000 Chester, PA 19022  (800) 916 – 8800 (610) 546– 4771 (FAX)  <a href="http://www.transunion.com">www.transunion.com</a>	<i>Fraud/Freeze:</i> P.O. Box 2000 Chester, PA 19022  (800) 680 – 7289 (Fraud) (888) 909 – 8872 (Freeze)  <a href="http://www.transunion.com">www.transunion.com</a>	<i>TU Interactive (Credit Monitoring)</i> 100 Cross Street, Suite 202 San Luis Obispo, CA 93401  (855) 681 – 3196  <a href="http://www.transunion.com">www.transunion.com</a>

---

<b>Equifax</b>		
<i>Order Credit Report:</i> P.O. Box 740241 Atlanta, GA 30374  (800) 685 – 1111 (866) 478 – 0030 (TDD)  <a href="http://www.equifax.com">www.equifax.com</a>	<i>Dispute Information:</i> P.O. Box 740256 Atlanta, GA 30374  (800) 685 – 1111  <a href="http://www.equifax.com">www.equifax.com</a>	<i>Fraud/Freeze:</i> PO Box 105506 Atlanta, GA 30348  (800) 525 – 6285  <a href="http://www.equifax.com">www.equifax.com</a>

---

<b>Experian</b>		
<i>Order Credit Report:</i> P.O. Box 2002 Allen, TX 75013 (888) 397 – 3742  <a href="http://www.experian.com">www.experian.com</a>	<i>Dispute Information:</i> P.O. Box 9701 Allen, TX 75013 (888) 397 – 3742  <a href="http://www.experian.com">www.experian.com</a>	<i>Fraud/Freeze:</i> P.O. Box 9554 Allen, TX 75013 (888) 397 – 3742  <a href="http://www.experian.com">www.experian.com</a>

---

<b>Innovis</b>		
<i>Order Credit Report:</i> Attention: Consumer Assistance P.O. Box 1689 Pittsburgh, PA 15230  (800) 540 – 2505  <a href="http://www.innovis.com">www.innovis.com</a>	<i>Dispute Information:</i> Attention: Consumer Assistance P.O. Box 1640 Pittsburgh, PA 15230  (800) 540 – 2505  <a href="http://www.innovis.com">www.innovis.com</a>	<i>Fraud/Freeze:</i> Attn: Consumer Assistance P.O. Box 26 Pittsburgh, PA 15230  (800) 540 – 2505  <a href="http://www.innovis.com">www.innovis.com</a>

---

*Other:*

<b>Opt Out from Pre-approved Credit Card Solicitations:</b> (For all Credit Bureaus) (877) 322 – 8228 <a href="http://www.optoutprescreen.com">www.optoutprescreen.com</a>	<b>Annual Credit Report Request Service*</b> P.O. Box 105281 Atlanta, GA 30348-5281 (888) 567 877) 322 – 8228 (800) 821– 7232 (TDD) <a href="http://www.annualcreditreport.com">www.annualcreditreport.com</a>	* <a href="http://www.AnnualCreditReport.com">www.AnnualCreditReport.com</a> is the only official website where consumers can obtain their <b>free</b> credit report from TransUnion, Equifax and Experian yearly.
---	---	--

(As of 7/10/15.)



## Credit Reports & Credit Scores

American Bankruptcy Institute  
Panel Discussion

OCTOBER 8, 2018



**In this introductory session on credit scoring, we will:**



- ✓ Define a credit score
- ✓ Visualize how a credit score works
- ✓ Highlight main factors of a credit score
- ✓ Provide key credit report elements that impact a credit score



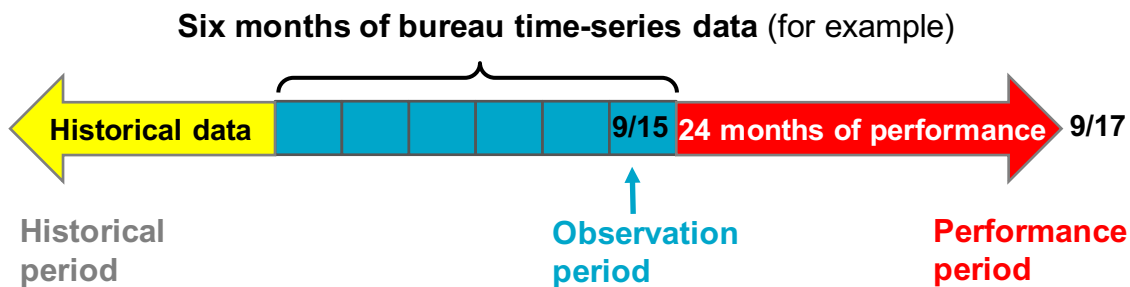
## Credit scoring replaces burdensome, error-prone, manual reviews with neutral, empirically-sound results

**A credit score is:**

- A **quantification** that represents a snapshot of a consumer's **risk** level based on their credit history at a particular point in time
- A means to capture past credit information to determine the **predictive** characteristics of future payment performance
- An estimate of the odds or **probability** that a particular event such as a delinquency will occur in the **future**

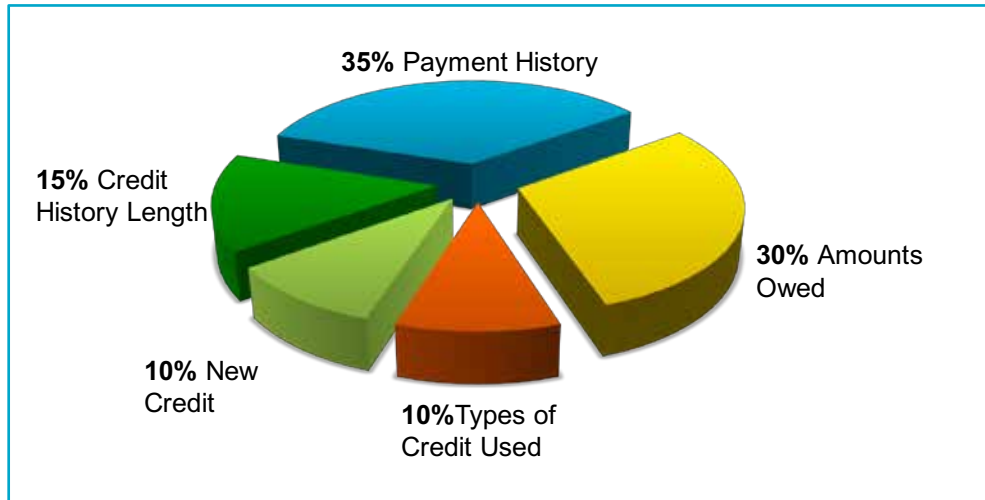


## To understand credit scores, it's helpful to picture how a model works





### Most generic score are comprised of five key components



© 2018 TransUnion LLC All Rights Reserved | 5

### Most common factors that negatively impact a credit score include:



- ✓ History of late/past due payments/failure to make payments
- ✓ Having no credit/limited availability of credit
- ✓ Having too many inquiries
- ✓ Proportions of revolving balances to credit limits too high
- ✓ Judgments against you/bankruptcy



© 2018 TransUnion LLC All Rights Reserved | 6