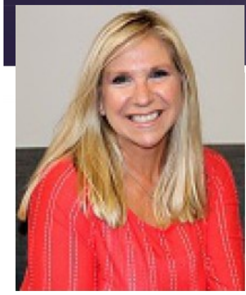

Sandy Krestan
License:153369
Certified Mortgage Planner
The Krestan Team at Fairway Independent Mortgage
Phone: 602-820-5166
BK 0118867
TheKrestanTeam@Fairwaymc.com
www.SandyKrestan.com

Protecting Credit During Divorce

Divorce raises a whole host of complex issues that can be emotionally and financially devastating. During this time of great upheaval, the last thing anyone wants to deal with is a change in the credit status he or she has worked so hard to achieve.

The good news is it doesn't have to be this way. By taking a proactive approach and creating a specific plan to maintain one's credit status, anyone can ensure that "starting over" doesn't have to mean rebuilding credit from scratch.

The first step for anyone going through a divorce is to obtain copies of your credit report from the 3 major agencies: Equifax, Experian®, and TransUnion®. After you've gathered the facts, create a spreadsheet, and list all of the accounts that are currently open, including the creditor's name, contact number, the account number, type of account, status, balance, minimum monthly payment, and who is vested (joint, individual, authorized signer).

There are two types of credit accounts, and each is handled differently during a divorce. The first type is a ***secured account***, meaning it's attached to an asset. The most common secured accounts are car loans and home mortgages. For these types of accounts, your best option is to sell the asset. This way the loan is paid off and your name is no longer attached.

The next best option is to refinance the loan. In other words, one spouse buys out the other. This only works, however, if the purchasing spouse can qualify for a loan by themselves and can assume payments on their own. If they cannot qualify on their own, suggest that they try to qualify using a co-signer. One 30-day late mortgage payment can cause a drop in your credit score of up to 80 points or more, regardless of who the judge says is responsible for paying the monthly obligation.

Your last option is to keep your name on the loan. This is the most risky choice because if you're not the one making the payment, your credit is truly vulnerable. If you decide to keep your name on the loan, make sure your name is also kept on the title. Imagine being stuck paying for something you do not legally own.

The second type of credit account is an ***unsecured account***, meaning no asset is attached. It's important to know which spouse, if not both, is vested, and it's best to act quickly. If you are merely an authorized signer on the account, have your name removed immediately and request that the three major credit bureaus remove that account from your credit reports. If you are the vested party and your spouse is a signer, have their name removed right away. Any joint accounts (both parties vested) with balances should be frozen from any future charges and accounts that do not carry a balance should be closed immediately.

Remember, a divorce decree does not override any agreement you have with a creditor. Regardless of which spouse is ordered to pay by the judge, not doing so will affect the credit score of *both* parties.

Divorce can be difficult for everyone involved. However, by taking these steps, you can ensure that your credit remains undamaged.

If you or someone you know is struggling with these issues, do not hesitate to call. We are experienced mortgage professionals who can help you meet your credit needs and financial goals.

Stay tuned for more great credit tips!