

Why NOT to reaffirm a mortgage in bankruptcy!

More than one past client has called me to complain that their mortgage holder wasn't reporting their house mortgage payments to credit reporting agencies, and would not unless they reaffirmed their mortgage loan. What's that about?

What it's about is that mortgage holders would dearly love for you to "reaffirm" that mortgage loan, meaning that you personally promise to pay the full balance in spite of having received a discharge of debts in bankruptcy.



That would be good for them but bad for you. So they stop reporting your payments to credit reporting agencies and tell you they will resume only if you reaffirm that mortgage loan. I call that extortion, but it often happens.

What's also true is that NOT reaffirming has multiple advantages for you.

- Obviously, **it prevents you from becoming personally liable** for the full balance of your mortgage loan.
- **Your "debt-to-income" ratio, an important factor in your credit score, is less (better)** if you don't reaffirm because you have less debt.
- Because your payments are not being reported (if they're not), **you can be late a few times, miss a payment and then catch up, etc., without having those negative items reported.**

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