

Reports on credit

and other financial information

Divorce and your credit

Will a divorce decree resolve the credit issues you might have with your former spouse?

A divorce decree is an agreement between you and your ex-spouse and has no impact whatsoever on your joint debts, including credit cards, car loans, home mortgages and lines of credit. Nor does a divorce decree change your obligation to pay back the joint debts you incurred while married.

Why? Joint accounts mean joint liability. When you obtained credit, you and your spouse became contractually responsible to pay your bills. The fact that you are now (or are about to become) divorced doesn't change that contract.

If you're contemplating divorce, how might you protect yourself from credit problems?

First, call each of your creditors. Ask them how to transfer your joint debt to the name of the person who will be responsible. (Usually, both of you must sign an agreement with the credit grantor to release one of you from liability.) Creditors don't have to agree, and they often check your credit history to verify that you can handle the payments alone. But this is an excellent way to protect yourself from new liability, re-establish credit as an individual and maintain your valuable positive payment history for the accounts.

If you are concerned that your former spouse might run up large amounts of debt, you should close as many of the accounts as possible. Doing so will prevent your ex-spouse from increasing the existing balances. Then inform all creditors, in writing, that you are not responsible for these debts after a specific date. Keep a copy of the letter for your records, and consider sending the original via certified mail. This may not prevent them from trying to collect, but it does show that you attempted to act responsibly.

Remember, even if your name is taken off an account, and even if the account is closed to future charges, you might still have legal responsibility to pay existing balances.

If you have a good credit history, an alternative is to close all your joint accounts and open new accounts in your individual names. If your joint accounts have balances, obtain individual consolidation loans. Use the proceeds of your individual loans to pay off your joint accounts, and then close the joint accounts. While this is not an ideal solution, you'll each be solely responsible for paying off your individual loans — and you'll be safe from having your credit negatively affected by your ex-spouse.




*D-I-V-O-R-C-E can spell post-marriage headaches for the unwary. Of all the ills that divorce is designed to cure, credit problems can be among the most frustrating. This issue of **Reports on Credit** provides information to answer the following questions:*

- *Will a divorce decree resolve the credit issues you might have with your former spouse?*
- *If you're contemplating divorce, how might you protect yourself from credit problems?*
- *Who should pay joint bills while the divorce is in process?*
- *How might a home mortgage be affected by divorce?*

Who should pay joint bills while the divorce is in process?

During divorce negotiations, keep sending in at least the minimum payment due on your joint bills, even if you ultimately will have no responsibility for the debt.

If you don't, the missed payments on joint accounts will be posted to both your credit report and your ex-spouse's report. Negative information can remain as long as seven years, even if you later pay the amount in full. That will make it more difficult for you to obtain new credit in your own name, and your creditors could become more reluctant to release you or your ex-spouse from liability on your joint accounts.

Be aware that different credit grantors have different policies regarding divorcing couples and joint accounts. That's why you need to contact each one of your creditors to discuss whether you or your ex-spouse will have ongoing liability for each of your accounts.

Even when you and your ex-spouse agree between yourselves to pay certain bills, it's still essential to contact credit grantors and close your joint accounts or convert them to individual accounts. If your ex-spouse doesn't pay as agreed, it will ruin both of your credit histories.

How might a home mortgage be affected by divorce?

The most expensive asset most couples have is their home. Usually, the divorce decree determines who may live in the home after a divorce and who has ownership of it. However, the decree does not change the original contractual responsibility to pay the mortgage.

To protect your credit, you might consider refinancing the mortgage with just one of you bearing responsibility for payment. If this doesn't work, consider selling your home and dividing the proceeds.

These are difficult and disruptive steps to take, and they often have tax consequences that you'll need to consider, but they help you achieve one of divorce's main goals: separate lives.



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