WORRIED BANKRUPTCY WILL DESTROY YOUR CREDIT?

LOOK AT THE NUMBERS.

New research from TransUnion shows that debt settlement may hurt credit scores **far more** than bankruptcy.



DEBT SETTLEMENT

MEDIAN CREDIT SCORE DROP

96 POINTS

For consumers who entered debt settlement while current on their debts.
(645 → 549)

- Often requires stopping payments, which can create delinquencies.
- Creditors can refuse to settle, continue collection activity, or sue.
- Settlements and program fees can consume substantial cash.
- Resolution may take years.

BANKRUPTCY

MEDIAN CREDIT SCORE DROP

20 POINTS

For bankruptcy filers.
(582 → 562)

- Legal process with a defined finish line. Chapter 7 generally concludes within months.
- Discharge is legally enforceable. Creditors do not get to decide whether to participate.
- Qualifying Chapter 7 debt may be discharged without repayment. You keep the money.
- Stops most collection activity through the automatic stay.

THE BOTTOM LINE:

In TransUnion's study, consumers who entered debt settlement while current experienced **nearly 5×** the credit-score decline observed among bankruptcy filers.

Source: TransUnion analysis, VantageScore 4.0. Results reflect the populations studied and do not mean bankruptcy will have the same credit impact for every consumer.

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