

The Impact of Bankruptcy

Student Activity: Bankruptcy

Bankruptcy is a costly and discouraging process of consolidating or eliminating debt to make life more manageable. The process of filing bankruptcy can negatively impact a person's credit score and ability to borrow money in the future. It is important to know how to build a positive credit history and credit score.

Objectives

- Define bankruptcy.
- Discuss the importance of establishing a positive credit history.
- Identify the steps to improve a credit score after bankruptcy.

Activity

Answer the following questions:

(Use the information at tinyurl.com/CreditScoreModel to help you answer these questions.)

1. What is bankruptcy?
2. Why is it important to have a good credit score?
3. What does FICO stand for?
4. FICO scores range from 300-850. Fill in the FICO chart below.
5. What makes up a credit score? Fill in the FICO Score Model below.
6. If someone has poor credit, what can they do to improve his or her credit score?
7. How does a person's low credit score affect their ability to borrow?



FICO Score Chart

Credit Standing	Credit Range
Excellent	720 and above
Good	
Fair/Average	
Not Good	
Poor	

FICO Score Model

