How Can Divorce Affect Your Credit Score?

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Divorce can have a big impact on your personal life, but with the proper planning, you can minimize its effects on your financial life. Even if you maintained separate accounts during your relationship, certain credit ramifications can come with ending a marriage.

While your credit score won't take a hit simply because you filed for divorce, there are ways your credit can be affected.

Your income may decrease
Losing one of two household incomes—and shifting from one to two residences—can cause financial strain. Financial implications are even more impactful if one spouse hasn't been working outside of the home.

"It's very tough for most people going through a divorce to make ends meet exactly as they had when there was only one household living off a pot of income rather than two households living off of the same amount of income," says Lili Vasileff, president of Divorce and Money Matters, LLC. You might have to make some considerable life changes to reduce living expenses to live on one income, especially if that income significantly lowers the amount of credit for which you qualify.

Vasileff believes it's important to create a budget, prioritize your debt and expenses, and keep up with payments that directly impact your credit score. Keep in mind that one recent 30-day late bill payment, if reported by the lender, can negatively impact your credit score by as much as a 110-point drop in score for up to seven years.

Separate joint accounts
Missed payments on joint accounts that are in your name and your spouse's, including your mortgage, cosigned loans and joint credit cards can impact *both* of your credit scores.
Even if your divorce decree notes that your former spouse has agreed to take on some debt from your joint accounts, you are still legally liable. Creditors aren't bound by divorce decrees, so they could hold you responsible if your spouse fails to make payments.

"Credit cards and missed or late mortgage payments are where I really see credit scores start to sink," says Michelle Nocito, a certified divorce financial analyst. "Especially if the parties are in disagreement and communication is low." You can, however, separate joint accounts by closing them and reopening new accounts in your name. Before doing so, make sure all balances have been paid on time and in full. You can also work with your creditors to separate the debt and re-establish joint accounts in one spouse's name only. This would convert your joint accounts into individual ones. If possible, separate as many accounts as you can before your divorce is finalized. "People's emotional temperatures are very high during a divorce," Nocito says. "I've seen couples separate and [then] out of spite, one party will run up the credit cards."

Build your credit
The good news is that when it comes to credit, you can always get a fresh start. "It's important to establish your own individual credit identity as quickly as possible," Vasileff says. "Get a major credit card, open a bank account, finance a new car purchase, or take out a new line of credit. You don't have to borrow against it, but it's important to be approved for credit and get it started."

Don't wait until you need credit to build it, Nocito says. Simply being granted new credit is considered a positive sign to the three national credit reporting agencies, provided you open new lines of credit slowly over time, rather than logging multiple requests in a short period.

Check your credit report
It's also important to review your credit report from the three credit reporting agencies at least annually. If possible, ask your spouse to do the same. This will help you spot and settle any financial disputes or errors before the divorce is final.

One of Vasileff's clients had no idea her husband had taken out a second home equity line on the house in both of their names until she pulled her credit report. Vasileff believes the most important tip for people going through a divorce is to "know your finances."

If you're going through a divorce or soon will be, protecting (and, if necessary) rebuilding your credit takes effort and time, but it's not impossible. However, Nocito says, ignoring your financial obligations could have a lasting impact and stay with you long after the marriage is over.