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Credit lessons learned from Superstorm Sandy

When disaster hits, good credit helps pave the road to recovery

By Dawn Papandrea

Editor's note: CreditCards.com writer Dawn Papandrea lives in Staten Island, one of the areas worst hit by Superstorm Sandy, which ravaged the U.S. East Coast in October 2012.

As residents of the East Coast fled their homes to escape the merciless destruction of Superstorm Sandy, the last things on their minds were their credit scores and their available credit.

However, once the storm had passed and residents returned to what was left -- if anything -- of their ravaged homes, being financially prepared made all the difference in how easily and quickly they could begin rebuilding.

For those with little savings or poor credit, it's been a waiting game -- waiting for insurance and the Federal Emergency Management Agency (FEMA) and other sources of assistance before they can forge ahead. It's been a wake-up call (especially as New Year's resolution time approaches) to get my own finances in order, pay down those remaining debts and save more. I was lucky this time, but as Sandy proved, you just never know when a disaster can uproot all that you thought was safe and sound.

Here's what credit experts say are the most important credit lessons we can all learn from Sandy.

1. Credit scores matter *all* the time. Keeping tabs on your [credit score](#) might not always be top priority if you aren't looking to apply for any new lines of credit. Many middle-class Sandy victims who already owned homes and cars are learning the hard way now (as they try to take out new loans) that slip-ups in credit can prove costly. Take for instance those whose vehicles were totaled.

"Depending on your insurance coverage, you may or may not have enough money to purchase a new or used car outright with your insurance payments," says Hallie Hawkins, certified credit report reviewer for Get It Together, a company that offers financial education. "People with credit scores above 720 may qualify for car loans with the lowest interest rate." On the other hand, she says, someone with a credit score under 600 will pay a lot higher rate or be required to come up with a larger down payment.

The same applies for those people without flood insurance, who simply can't rebuild with the amount of FEMA assistance being offered and who now have to seek out loans. The [Small Business Administration Disaster Loan](#) is a government-sponsored low interest program, but requires applicants to have a strong credit score to qualify.



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National Average	14.96%
Low Interest	10.40%
Balance Transfer	12.62%
Business	13.13%
Student	13.31%
Cash Back	14.30%
Airline	14.63%
Reward	14.80%
Instant Approval	15.49%
Bad Credit	23.64%

2. Credit cards can become a temporary lifeline. As mold eats away at what used to be your child's playroom or your house remains without heat because your furnace took on sea water, waiting around for insurance adjusters to show up or send a check can be daunting. Many of my friends are using up their savings, dipping into retirement accounts and, yes, using credit cards so they can start cleaning out and restoring their homes to a livable condition.

When you're tight for funds and have gone through some kind of trauma like Sandy, those in good credit shape will have a lot more opportunity and a lot less stress.

-- Tracy Becker
North Shore Advisory

services. "When you're tight for funds and have gone through some kind of trauma like Sandy, those in good credit shape will have a lot more opportunity and a lot less stress," she says. It's also helpful to keep a balance-free credit card on hand that can be pulled out in a pinch.

3. Creditors do care. Because of my ZIP code, all of my creditors contacted me to offer a reprieve on payments or to see how they could help. Luckily, I didn't need to take them up on their offers, but it's not a bad idea to reach out should a personal tragedy ever arise. My mother (whose home is in the so-called "Zone A" evacuation area of Staten Island) did just that after receiving a letter that she qualified for an interest-free period on her [Discover](#) card just for being a good customer (unrelated to Sandy). When she called to accept, she mentioned her recent expenses from the storm. She was put on hold, and then told that the bank would backdate the offer to include the purchases of her new hot water heater and furnace, which had to be replaced after the storm. She was thrilled, but had she not asked, interest on those items would already be accumulating.

Don't hesitate to reach out. "Call [creditors] right away and tell them if you will be late on payments and ask for forgiveness," says Hawkins. Be careful, though, she warns. "Creditors may use this as an excuse to check your credit and reduce your credit limit," she says. If you do contact your credit companies, be sure to document who you spoke with and when, and get specifics on how or if your request will affect your credit status, says Becker.

4. Don't put off emergency planning. Just as people were stuck in their homes without working flashlights or a battery-operated radio, very few people had an [emergency fund](#) large enough to deal with the damage caused by the storm. That's not hard to imagine, given the magnitude of the devastation. But having a head start with your own money is still better than resorting to interest-laden borrowing. "Opening a special savings account that you don't have easy access to is a great idea," says Becker.

As far as your credit goes, don't slack when it comes to your financial responsibilities. Request your free credit reports from each of the three major credit bureaus (Experian, Equifax and TransUnion), and make a plan to improve weaknesses and fix any errors. The reports are available for free once per year from each credit bureau at [AnnualCreditReport.com](#). "There is no waving your magic wand to make the damage go away," says Hawkins. Depending on your situation, it can take six months to a year to see major improvements in credit scores, she says.

If there's one important thing to remember from Sandy, it's this warning from Hawkins: "The decisions you make today impact your options tomorrow." Even as I hope and pray that the worst storm in our lifetime is now behind us, I'll be working to put my family in a better financial position to handle whatever might come next.

See related: [Pre-disaster financial preparedness checklist](#), [Alternate strategies to saving for emergency funds](#)

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While waiting for the insurance checks to start rolling in, access to cash or credit is vital. For those with high card balances or poor credit prior to Sandy, credit cards aren't going to be much help. Those with an excellent credit history, however, can shop around for credit cards with a [zero interest rate](#) introductory period, says Tracy Becker, president of North Shore Advisory, which offers credit repair

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