



# Prepare Your FICO® Score for When Disaster Strikes

Wildfires, floods, hurricanes, tornadoes, cyclones, earthquakes, volcanoes—natural disasters strike quickly and with little warning. While there is a lot of good advice on how to prepare to protect your health and safety, you also need to prepare to protect your credit score to help your overall resilience and recovery.

The fact that a natural disaster hit your region does not affect your FICO® Score, because data such as ZIP code or county is not considered by the model in calculating your score.

Credit scores are impacted negatively by consumer behaviors, such as missing payments, charging credit cards up to or over the credit limits, or opening several new credit accounts over a short period of time. All things that could possibly happen to a consumer's credit profile during a disaster if they are not prepared.

Most banks have special procedures in place to work with you through this difficult time to help you maintain your good credit status. But the responsibility rests with you to:

- ✓ **Be prepared with the credit information you may need if disaster strikes.**
- ✓ **Plan in advance to automate critical deposits and payments such as your mortgage.**
- ✓ **Notify lenders about your circumstances.**

This **FICO® Score Checklist for Natural Disasters** can help you prepare before and after a disaster disrupts your life and finances.

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## PREPARE & RECOVER

### FICO® Score Checklist for Natural Disasters





### Be more resilient in the event of a natural disaster

Imagine no power, no internet, no cell phone. That could mean limited or no access to your financial information, funds or the lenders you need to talk to.

#### ✓ 1. Be in the know about your current credit status.

What does your credit profile look like right now? Capture a current snapshot of all your current credit obligations and FICO® Scores. Request your credit reports from [www.annualcreditreport.com](http://www.annualcreditreport.com) for a free copy.

From the data in your reports, statements and loan agreements, create a log of your accounts and phone numbers for your bank and all your lenders. Store your credit contact data—account number, balance, password hints, phone numbers for lost/stolen cards—in multiple ways:

- Save to a password-protected USB drive and put in your “go-bag.”
- Encrypt and save to your computer, phone or cloud storage, or email to yourself.
- Use a mobile app to create a disaster recovery log or to save passwords.

#### ✓ 2. Assess where you are financially.

Prioritize what would get paid if your income were interrupted or money were tight due to cost of repairs or rebuilding: mortgage/rent, insurance, utilities, credit cards, vehicle loans, student loans and other obligations.

#### ✓ 3. Consider automatic payments for your priorities.

An unintended late mortgage or credit card payment could cause the greatest damage to your credit, on top of fees and a possible increase to your interest rate. Remember that with automatic payments you must have the funds available in your account prior to the date of withdrawal. If you cannot cover the amount, due to loss of employment or delay in a deposit, fees may be added on top of the missed payment ding.

#### ✓ 4. Do you have overdraft protection?

Overdraft protection taps into a savings account, credit card or second checking account if your account has insufficient funds to cover a transaction. This protection could help prevent declined transactions, returned checks or additional fees. There is usually no cost to enroll—you pay only when you use the service.

#### ✓ 5. Investigate your credit card overlimit rules or protection programs.

Some are specific to premium cards. Most credit cards require that a consumer opts in to overlimit fees or a transaction will be declined. You may be subjected to overlimit fees for exceeding your credit limit. This could have negative repercussions on your credit as your score may continue to drop as your balances get closer to your limits. You could request a credit limit increase as a buffer.

## Cashflow: disruption of funds can hurt your credit downstream



✓ **Paycheck or direct deposits delayed.** If you live in a high-risk area for natural disasters, have a conversation with your employer and learn what alternative methods may be available to get paid during a disaster. Mail service may be suspended as well as communication lines down. If you depend on Social Security or other regular benefits, switching to electronic payments is a simple way to protect your cash flow and eliminate the risk of stolen checks.

✓ **Be cash ready.** In your “go bag,” keep small denominations of cash, such as \$100 in one and five dollar bills for each person in your family. ATMs may be down without internet connection; stores without power may require cash-only sales, and they may run out of change. Think about all your family members, in case you are separated. How will they get access to cash or credit?



# RECOVER

your credit score during a disaster

## Your financial health and identity

Your access to credit can be a lifeline to fill the gaps while you and your family are in limbo. Be proactive. Your lenders want to know if you are in jeopardy of default or falling behind in payments.

### ✓ 1. Before payments are due, start making those calls to alert your creditors.

Call creditors directly using the contact number on your statements or the back of your card. This approach is safer than responding to an incoming email, which could be fraudulent. If you receive a call or email from someone who says they are your lender, never provide your financial or identity details to them without authentication. Contact your lender directly for loan modifications rather than going through a third party.

When contacting your lender, be sure to give alternative phone numbers, a forwarding address and alternative ways to contact you. You'll also want to get their names and direct contact phone numbers if possible.

If credit cards were destroyed in the disaster, be sure to get replacement cards versus having a new account set up, so any automatic payments you have set up will remain in effect.

### ✓ 2. Ask your creditors about your options.

Negotiate a temporary payment plan or grace period during which no fees will be calculated or missed payments reported to the credit bureaus (also known as credit reporting agencies). Be sure to ask if delayed payment plans offered will mean you are responsible for the accumulated payments as well as the payment for that month—all at once.

For example, many lenders will work with you to set up a temporary deferred payment plan, or temporarily place the loan in forbearance—meaning you may get temporary relief from having to make full payments on your credit obligations. In the aftermath of a major disaster, card issuers may waive fees and penalties to displaced customers, and have offered free credit checks or identity theft protection. Each lender is different, so consider contacting all your lenders. If a creditor agrees to a change to your credit agreement, such as a suspension of payments, ask to receive the specific terms in writing.

The lender may include comments in your credit report about any special payment arrangements because of a natural disaster when they send an update to the bureaus. The FICO® Score does not consider such comments when calculating the score.

### ✓ 3. Time to reprioritize your expenses.

If your home is uninhabitable, quickly contact your utilities from electric, water and gas to phone, cable and internet to suspend services and save you a bit of money. A renter? Talk to your landlord about suspending rent payment and the timing of repairs.

Have a vehicle loan? Damage to your car or truck does not eliminate your responsibility to make your loan payments. When the cost of repairs is more than the value of the car, the insurance company may declare the vehicle a total loss. You need to talk to both insurer and lender.

### ✓ 4. Request a copy of your credit report as soon as feasible.

This will give you a complete picture of your credit profile at the time of the disaster and before any post-disaster updates have been reported to the bureaus.

By having a copy of the credit report before it reflects any changes resulting from the disaster, you may be able to make the case to a lender or a potential new landlord that the disaster, not financial mismanagement, caused the fluctuation in your credit score.

As a provision of the Fair Credit Reporting Act, you have the right to add a statement to your file housed at the credit reporting agencies about an account or status that you believe is incorrect that you have disputed, or to explain your personal financial situation. Add a 100-word statement explaining that you experienced a natural disaster and how it affected your credit. Remember to revise or remove the statement as your situation improves.

### ✓ 5. Consider a credit monitoring or identity theft protection service.

It is not too late. In large-scale disasters, these monitoring services may be offered for free to disaster victims for a limited time. To place a fraud alert on your credit reports, contact each credit reporting agency. Applying a fraud alert to your consumer file is free, and a new law extends coverage to one year. Each CRA must place an alert on your consumer file in their system. An initial fraud alert is applied when you are at risk but not yet a victim. For victims of confirmed identity theft, an extended fraud alert will protect your credit for seven years. You can request a credit freeze, which is now free, that restricts access to your credit report—so no new credit can be opened in your name by fraudsters.

## Ask for help

Credit and financial nonprofits can be vital, objective guides to get you back on the road to financial recovery. Credit counselors can help you develop a budget for any emergency assistance funds and manage your creditors as your advocate. Many can help you get a copy of your credit report and even your FICO® Scores to see if there has been an impact. With over 100 counseling organizations participating, FICO® Score Open Access for Credit and Financial Counseling enables providers to share FICO® Scores with their customers. For a comprehensive list of participating nonprofits, go to [www.ficoscore.com/where-to-get-fico-scores](http://www.ficoscore.com/where-to-get-fico-scores).



## Restart the cycle: Reassess where you are financially

Have your priorities changed? Create a plan to build or restore an emergency fund or establish an emergency-only credit card that multiple family members are authorized to use. Restart the cycle by updating your credit snapshot document.

Your credit capacity and standing can be your lifeline to recovery in a disaster. With a little preparation, you and your family will be in a better position to get your life back on track more quickly.

