



Disaster Recovery



Don't Let Disaster Compromise Credit

In the aftermath of Hurricane Katrina, many people are forced to rely on credit to meet essential needs. Consider these tips to ensure that you benefit from full use of your good credit and to ensure that your credit record is not harmed in the wake of disaster.

- Check to see if you have all of your credit cards. If any cards are missing, call the card issuer immediately. If a thief uses a card before you report it missing, the most you are liable for on each card is \$50. If you don't have the card issuers' telephone number, you may be able to obtain it by calling 1-800-555-1212, contacting a local card issuing bank, or checking the card issuer's website.
- If you are out of work temporarily and unable to make payments on your credit cards, call the card issuer and try to negotiate a new payment schedule. But first, make a realistic budget based on your reduced income so that you can determine how much you can afford to pay each month. The average late fee on credit cards is over \$27, so contact your card issuer before your account becomes delinquent. Some banks will reduce or waive late fees for storm survivors.
- Credit card use may be necessary to cover extra expenses resulting from the disaster. Review your personal financial situation and proceed with caution. Know the credit limit on your cards so that you don't exceed the limit. Going over the limit can be costly—the average over the limit fee is over \$30. Inquire if your bank will increase credit card limits for clients impacted by the storm.
- Cash advances may also seem like a convenient way to help you through tough times, but they are very costly. You will be charged a transaction fee of approximately 3% of the amount borrowed. Cash advances also carry a higher interest rate and typically do not have a grace period. Interest accrues as soon as you receive the cash.
- Banks and credit unions can offer installment loans lower interest rates than most credit cards. Many credit unions also offer special plans that are an alternative to high cost "payday" loans and "check cashing outlets." These credit union loans are often available in amounts from \$100 to \$350, require no collateral and are offered at competitive interest rates.
- Avoid alternative lending sources such as payday loan companies, car title loans, rent to own plans and advance fee loan offers.
- Beware of credit card scams, promises to repair your credit, or other types of fraud over the telephone. Never give anyone your credit card number over the phone unless you have initiated the call and know the business to which you are giving the number.

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