

Disaster Relief - Homeowners' Rights

What if my home is destroyed and I have no insurance? You may be able to deduct some of your loss on your federal income tax return. Only major losses normally result in tax savings. Check on the IRS web page at www.irs.gov or call your local IRS office.

I have homeowner's insurance. What next? Call your insurance company immediately to report the loss. Your homeowner's policy may provide living expenses while your home is unlivable. You are responsible for paying your mortgage while your claim is pending. If your claim was approved and repairs are underway, you must pay your mortgage as usual. You can always try to negotiate another payment arrangement with your lender, such as forbearance.

***IMPORTANT:** You are not required to accept the first estimate or offer of payment from your insurance company. Do not rush the process. It is important to make sure that you will be paid enough to adequately cover your losses. Ask your insurer to reconsider the offer. Include written estimates to show the real cost of repairs, and negotiate the best deal. You can also hire an independent insurance adjuster who is not employed by your insurance company, but keep in mind that these adjusters get paid based on a percentage of your recovery.

What happens if I don't pay my mortgage? The lender can file for foreclosure on your home. You will receive a written foreclosure notice. Nonpayment may also be reported to credit agencies that will seriously affect your ability to rebuild your life. Even if you had insurance, if the amount the insurance company pays is less than what you owe for your mortgage, you are still responsible for paying the difference.

Can I work a deal with my lender if I can't pay? No federal law requires a mortgage lender to offer you special consideration, even in the event of a disaster. Lenders make accommodations on a case by case basis.

- Contact your lender or loan servicer as soon as possible to discuss your situation. A home mortgage may be "serviced" by the lender who made the loan or by another lender. The mortgage loan servicer is the company you send your payments to.
- Tell the lender or loan servicer that you've been affected by the disaster.
- Ask for "forbearance." A loan servicer can defer payment, waive late fees, and not report you to the credit bureaus. You have to ask for the forbearance.
- Ask that any late fees be reversed.
- Be sure you understand what the forbearance will include. Ask the lender or loan servicer:
 - How many months' payments will you postpone?
 - Will the lender or loan servicer impose any fees for the payment deferral?
 - When will the deferred payments be due?
 - Will the missed payments be repaid over a long time, rather than all at once?
 - Will the lender stop any negative credit reporting for the deferred payments?
- Get all lender promises to you in writing.

In the meantime:

- Don't rush to sell your property because you are financially desperate. Financial help may be available from sources that you don't know about yet.
- Don't fall for scam artists who promise to save your property from foreclosure for a fee, or if you "temporarily" sign your property over to them.
- Don't borrow money-especially from contractors-to rush into home repairs. Work with your insurance company to get an accurate estimate and payout for your claim.
- Don't rush into declaring bankruptcy. Bankruptcy can damage your credit for years to come. Get credit help from your local nonprofit consumer credit counseling service.