



Mortgage Payments After Disaster

What happens if I can't pay my mortgage because of the disaster? The lender can foreclose on your home. Nonpayment may also be reported to credit agencies. If the insurance settlement is less than what you owe on your mortgage, you are still responsible for paying the difference.

Aren't lenders required to forgive late or missed payments due to disaster? No. There is no law that requires a mortgage lender to offer you special consideration for late or missed payments, even if you are experiencing financial hardship following a disaster. However, many servicers offer programs that are available to borrowers experiencing a hardship. If you can't make your payment, contact your lender or loan servicer as soon as possible to discuss any options that may exist.

- Tell the lender or loan servicer that you've been affected by a disaster.
- Ask that any late fees be reversed. Ask for "forbearance." By granting forbearance, the loan servicer can defer mortgage payments and waive late fees. Usually at the end of the forbearance period you must pay the past-due balance in a lump sum unless you qualify for a loan modification or other change to your mortgage terms. *Forbearance is not automatic and not guaranteed.*
- Be sure you understand what the forbearance will include. Ask the lender or loan servicer:
 - How many months' payments will you postpone? 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.
- Make sure your lender has an updated address where you can receive mail, or request communications through an online account that you can check regularly.
- You may have to submit a written application for assistance. Continue to maintain regular contact with your servicer about any missing items until you receive a letter stating that your application is complete;

Do I have to pay the mortgage while my insurance claim is pending? Yes. You are responsible for paying your mortgage while your insurance claim is pending unless you've received a forbearance (see above), or other change to your loan terms approved by the lender. Your homeowner's policy may provide living expenses while your home is unlivable and under repair. If your claim was approved and repairs are underway, you must pay your mortgage as usual.

***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.

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.

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.