

AFTER SANDY: CAN'T GET THE CASH;

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Homeowners across Long Island are struggling with the cost of rebuilding from superstorm Sandy as they wait for banks and mortgage companies to release their insurance settlements more than two months after the storm. Insurers began cutting checks weeks ago, but most people can't simply cash them. That's because large settlement checks are typically made out to both homeowners and their mortgage lenders. Until banks endorse the checks and release the money, homeowners can't use it to pay repair bills. The problem largely stems from well-intended mortgage banking practices colliding with the realities of a natural disaster, consumer advocates say. While designed to prevent insurance fraud, the procedures have left homeowners from Long Beach to Montauk waiting weeks for their insurance money, prompting them to delay repairs or dip into retirement and college funds to pay contractors themselves. The issue, elected officials and consumer advocates say, has emerged as one of the biggest impediments to rebuilding storm-ravaged neighborhoods. "It is causing a huge liquidity problem," Nassau Legis. David Denenberg (D-Merrick) said. "Banks need to speed up the process." Insurance companies routinely make settlement checks out to both homeowners and their mortgage lender or loan servicer, which collects payments for mortgage bond investors. Those damaged homes are collateral for loans. If they aren't rebuilt, lenders and mortgage bond investors could lose millions. To ensure settlements go toward repairs, banks and servicers typically follow rules set by mortgage giants Fannie Mae and Freddie Mac that require the money to be held in escrow accounts and released in installments as work progresses. The banks also regularly inspect repairs and make homeowners prove they are using licensed contractors. "When a home is damaged, banks are responsible to make sure insurance money is used to restore the property to its original state," said Michael McHugh, president of the Empire State Mortgage Bankers Association, which represents 160 New York lenders. Hard-to-hire contractors Homeowners, however, say those measures are agonizing to navigate. The system, they say, makes it difficult to hire contractors, who sometimes want more money up front than lenders will disburse. Waiting for banks to send inspectors and approve contractors adds to delays, they say. And it takes hours to reach banks and servicers by phone to explain the process. "We should not have to sit on our hands and leave our houses stripped to our exterior walls while we wait for inspectors," said Michele Insinga of Lindenhurst, whose

house was flooded. In normal instances, banks typically get settlement money to homeowners quickly, industry experts said. And some institutions have taken steps to relax their rules. But many banks are struggling to process the volume of settlement checks in Sandy's aftermath. "Some banks are just overwhelmed," McHugh said. The wait can be painful for homeowners. Marilyn Tippenhauer, for instance, received a \$7,600 settlement from Liberty Mutual to replace roof shingles that Sandy ripped from her Elmont home. On Nov. 23, she overnighted the check to her mortgage servicer, Ocwen Financial Corp. of Atlanta. Water was seeping through her roof. But without settlement money, Tippenhauer said she was unable to hire anyone to fix it. Twelve days later, Tippenhauer was still waiting for the money, she said, when her bedroom ceiling began groaning during a rainstorm – then collapsed in a heap of sodden insulation and wallboard. "People on Long Island are in crisis, and the banks don't understand," said Tippenhauer, a flight attendant. Ocwen did not respond to requests for comment on Tippenhauer's case. She is far from alone, elected officials and consumer advocates said. Virginia Clay, whose Long Beach house was swamped with 3 feet of water, said she spent more than \$12,000 – including from her savings and 401(k) accounts – to pay contractors as she waited for Bank of America to release her settlement. "I'm running out of cash," said Clay, an aquatics director at a Manhattan YMCA. A Bank of America spokeswoman said Clay had received her payouts in accordance with Fannie Mae guidelines. The spokeswoman, Laura Hunter, said there were no unwarranted delays. "We are determined to process insurance claim reimbursements as quickly as possible and have increased the number of bank representatives prepared to assist these customers," Hunter said. Waited without heat Jaime Green of Oceanside said she waited weeks for Citibank to sign off on a \$22,500 check to start fixing her home, which is gutted and without a working furnace. "If I don't get heat in my house, my pipes are going to freeze," she said. Citibank spokesman Mark Rodgers declined to comment on Green's situation, but he said the bank will endorse and release checks of up to \$20,000 for Sandy victims. For anything larger, homeowners need to provide certain documents first, the spokesman said. On Dec. 31 – three days after Newsday called the bank to inquire – Green received the full \$22,500 from Citibank, she said. Last month, Gov. Andrew M. Cuomo struck an agreement with several large mortgage lenders to speed the process of releasing initial payments so homeowners could start repairs. That should help, consumer advocates said. Yet, servicers are still bound by Fannie Mae's and Freddie Mac's rules. That means many homeowners who receive settlements exceeding \$20,000 will still need to submit paperwork, wait for inspectors and get the money in installments. The agencies have relaxed some regulations since the storm. Freddie Mac, for instance, increased the amount servicers can release up front to borrowers and their contractors to \$40,000. Banks and servicers can use some discretion in releasing settlement money, and homeowners should contact Fannie or Freddie if they are moving too slowly, spokesmen for

the agencies said. "We want repairs to get done and get families living in their homes again," said Andrew Wilson, a spokesman for Fannie Mae. After her ceiling collapsed, Tippenhauer found a contractor who agreed to fix the roof without being paid up front. On Dec. 17 – three weeks after she mailed the check – Tippenhauer received half of her settlement from Ocwen, she said. She still waits for the rest. "I am beyond angry," Tippenhauer said. "It is wrong to do this to people in crisis." ACCESSING YOUR INSURANCE SETTLEMENT Insurance companies typically write settlement checks to both homeowners and their lenders, who often don't hand over the proceeds right away. Here's what to expect: 1 Banks want copies of repair estimates, contractors' licenses and other documents. 2 They typically release 33 to 50 percent of the insurance payment up front. 3 The rest of the payment is held in escrow. 4 The next payment follows an inspection, typically when the work is 50 percent finished. 5 The last payment arrives when work is 95 to 100 percent complete. Homeowners who feel banks or loans servicers are taking too long to release their settlements should call the New York State Department of Financial Services at 800-339-1759.