

Survivors Speak: Underinsured, Delayed Rebuild, Buying a temporary home

Part of the *[“Survivors Speak” Tip Series](#)*

The Tubbs Fire in Santa Rosa in 2017 destroyed our home. We quickly determined that our house and contents were very underinsured. Our out-of-state adjuster did not seem to understand the Bay Area housing market and first gave us an estimate of losses that was less than half of the then going rate of price per square foot. We were shocked and immediately appealed. This was corrected, but we were still left with a major shortfall after maxing out all our “pots” of insurance benefits. We needed to figure something out, fast.

Additionally, we discovered that since we were in a seismic area, our rebuild would take at least four years—much longer than our ALE would last. Rents are very high in our area, and we did not want to take the chance of wasting potential money for our rebuild on over two years of rent. Our insurance was State Farm. At the time, they paid two years of ALE for a comparable home, no matter the cost. In other words, you would max out on time, not dollars, of ALE. State Farm paid out their benefits/determinations in different pots, but it was up to us to manage how we spent that money. (We were told that there was a good chance that State Farm would pay us ALE longer than two years. That did not occur even though we petitioned over eight times and were granted a mediation that never occurred, due to COVID and State Farm never agreeing to come to the table to meet with us after COVID.) We came up with a plan to use our ALE funds to help us fund our rebuild.

We only had about 30% of our mortgage left to pay to the lender. After discussing and getting assurances from State Farm that we could be paid as “landlords” on a temporary dwelling, we decided to buy a new, temporary house and pay off our mortgage on our old house. We were taking the liability of managing our funds as well as our custom builder, but we needed State Farm to pay the 1.5 years of ALE “rent” to us (instead of a landlord) to help fund our rebuild. Every month, the whole ALE check went into a separate account, and we lived off of our incomes from our jobs, as we had before the fire.

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We were careful to buy a temporary home that we could afford with our insurance payouts – in other words, we did not accrue a new mortgage. Additionally, when it came time to start paying the builder, we were able to finance a home equity loan on our temporary home—since we owned our temporary home free and clear—instead of needing to use a construction loan. Home equity loans only require you to pay on what you have borrowed to that point, which we much preferred to the construction loan format.

We realize that this plan caused us to take all the risk with our custom builder, and even though we had significant issues with him we still believe this was the best course of action we could have taken.

(Thanks to Lisa Frazee, 2017 Tubbs Fire Survivor, for this Survivors Speak publication.)

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