

Hurricane Florence Aftermath: The Best Financial Options for Repairing Your Home

Magnify Money

More than two weeks after Hurricane Florence's devastating crawl across the Carolinas and Virginia, many homeowners are assessing the damage and beginning to make repairs.

According to real estate data provider CoreLogic, the storm affected 624,000 homes, the vast majority unprotected by flood insurance. Standard homeowners and renters insurance policies do not cover damage from storm surges and other flooding. That requires separate policies, typically purchased from the U.S. government, but consulting and actuarial firm Milliman said fewer than 10% of homeowners in the Carolinas had such coverage.

Many families facing large out-of-pocket storm costs may be wondering what the next steps are to begin rebuilding. To help you get started, we've rounded up advice for how to proceed, sort out what insurance will — or won't — cover and tap financial resources available to the underinsured.

In this article we'll cover:

- Step 1: Figure out your coverage
- Step 2: Document the damage
- Step 3: Prevent further damage
- Step 4: File a claim with your insurance company
- Step 5: File for federal disaster assistance
- Where else can you turn for help?
- Government assistance programs
- Nonprofit and charitable aid
- Other financing options
- When to consider bankruptcy

Step 1: Figure out your coverage

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Amy Bach, co-founder and executive director of United Policyholders, a national insurance consumer advocacy organization, said the first thing you should do is print out a complete copy of the most recent policies you may have on your home.

Many homeowners make the mistake of calling the insurance company and getting things started before they know what coverage they have, said Bach. “A lot of these adjusters, especially in a catastrophe situation, are overworked. They have lots of clients and sometimes they try to take shortcuts to tell you what coverage you have. Sometimes they may be right, but they may be wrong.”

She added: “You have the biggest stake in getting the most money out of your insurance so it’s up to you to do your homework.”

If your printer was ruined along with other belongings in the storm, you can generally contact the insurance company directly and ask them to email you a complete copy of your policy. If you worked with an agent, you can try contacting them directly for a copy, too. If you can’t remember who your insurer is or how to get in touch with them, Bach recommends you contact your state’s Department of Insurance for help.

The declaration page

Once you have a copy of the policy in hand, focus on the declaration page, a summary of the policy and how much coverage you have available.

Coverage is usually split into four main buckets:

Dwelling: Covers the home itself.

Contents personal property insurance): Covers the items you own inside the home.

Other structures: Covers items that are not part of the dwelling but on the property such as detached garages, driveways, fences, sheds and pools.

Loss of use: Coverage for any expense you have to incur because you cannot live in your home.

You may or may not have each type of coverage and the extent to which you’re covered will depend on your policy. It may also include personal liability protection and coverage for guest medical payments when someone else gets hurt at your home).

Flood insurance vs. homeowners insurance

While standard homeowners and renters insurance policies do not cover damage from storm surges or other flooding, they should cover damage from, say, a neighbor’s tree that fell on your house and left a hole on the roof where water came through. South Carolina residents with questions about claims may visit the S.C. Department of Insurance. North Carolinians can visit NCHurricClaims.com for information. Insured residential damages in that state may total as much as \$7.5 billion while uninsured damages

may nearly be twice as much. Total storm damage in the Carolinas and Virginia is expected to add up to \$28.5 billion.

Flood insurance

Homes financed with a federally-insured mortgage in a high-risk flood area, also called a special flood hazard area (SFHA), are required to buy flood insurance from the National Flood Insurance Program, run by the Federal Emergency Management Agency (FEMA), or as a separate policy through a private insurer. SFHAs are areas that have a minimum 1% chance of flooding in any given year. These are also known as 100-year flood plains.

If you live in a moderate- to low-risk area or don't have a federally-backed mortgage, purchasing flood insurance is optional. However, a lender can also require you to purchase flood insurance, even if you live in a moderate- to low-risk area.

National Flood Insurance provides up to \$250,000 of coverage for the structure of a single-family home and up to another \$100,000 for personal possessions. Alternatively, or in addition to NFIP flood insurance, you can purchase "first dollar" or primary flood insurance policy from a private insurer.

According to federal data, the average paid loss to NFIP policyholders after the four most-recent major hurricanes in 2016 and 2017 were:

\$55,193 to 563 policyholders after Hurricane Maria in September 2017

\$115,104 to 75,749 policyholders for Hurricane Harvey in September 2017

\$46,989 to 21,749 policyholders for Hurricane Irma in September 2017, and

\$39,217 to 16,542 policyholders for Hurricane Matthew in October 2016

Issues with flood insurance

"The problem with flood insurance is that it does have some very nit-picking requirements," Bach told MagnifyMoney. "Many adjusters will say they only pay for damage from water physically coming into contact with the damaged object."

Bach said that means sometimes flood insurance won't pay for a damaged foundation or water that ran up a wall. Or, it may only provide coverage that can seem partial to homeowners. For example, the coverage may replace the lower cabinets in your kitchen, but they may not match the cabinets that weren't affected by the flooding.

Problems meeting code. Flood insurance also may not cover code upgrades. If your home was built in the 1960s, for example, and had an old electrical system, the insurance company usually won't pay to upgrade it, but the county may not allow you to put back old wiring either.

In those cases, Bach said to "go back to the policy and say 'I cannot replace unless I comply.'" The

insurer may require you to provide documentation from the local government as proof. And sometimes, flood insurance policies only cover code upgrades if the damage done to the system is 50% or more. Finally, Bach tells MagnifyMoney flood insurance generally does not cover the costs of living elsewhere while your home is repaired. In those cases, your homeowners insurance policy may cover your displacement costs.

Wind. Wind must be insured separately and sometimes this coverage is available only from a state-run insurer of last resort. In North Carolina, the Coastal Property Insurance Pool is available to coastal homeowners, with a similar wind pool in South Carolina.

What if I don't have flood insurance?

Excluded from homeowners insurance coverage is flooding caused by rising water, which Bach said is going to be most people's problem. But, the United Policyholders executive director added: "A little argument goes a long way."

Homeowners whose insurance does not cover hurricane-related expenses may qualify for disaster aid or low-interest loans, which we'll cover below.

Step 2: Document the damage

Do the best you can to document all of the damage using pictures and videos. Do this before you start cleaning up or making repairs.

Step 3: Prevent further damage

Do what you can, within reason and with consideration of your health and safety, to prevent further damage to your home. At this point, you may want to reach out to the insurer and begin the claim process. If your policy covers the cost, the insurer can send someone to help drain the water, patch up holes and dry out your home.

"You want to try to get that done as quickly as possible so that you don't have a mold problem," said Bach.

If the insurer cannot get out to your area quickly or your coverage does not cover temporary repairs and drying out, then you may elect to do what you can on your own or hire a professional in your area. Either way, take care to keep swatches of carpeting, wallpaper, furniture upholstery and window treatments — things that may impact the amount payable on the claim. Try to avoid tossing out damaged items until you file a claim and the insurance adjuster pays a visit to your home described

below). You can learn more about proper flood cleanup in this federal Homeowner's and Renter's Guide to Mold Cleanup After Disasters.

"If you can afford it, you should hire somebody and get them to do it as soon as you can," said Bach. "But don't hire the first person you can, because disasters do bring out scam artists."

If FEMA or state emergency services are in your area, they may be able to assist you with drying out your home. And, if there is a local assistance center set up near you, you can go there for help and information. Go here to find a disaster recovery center near you.

Step 4: File a claim with your insurance company

If you didn't notify your insurance company before you started cleaning, you should contact them to file a claim as soon as possible. The insurance company should send you claim forms to fill out and you should try to return them as soon as possible to avoid delay in service.

The insurer should then arrange for an insurance adjuster to come out and assess the damage to the property. The adjuster will inspect the property to estimate how much the insurance company will pay for the loss. They will likely also interview you, too.

Be prepared to show the adjuster any structural damage and compile a list of damages so the visit is efficient and you don't forget anything. If you have receipts for any of the damaged items you should present copies to the adjuster. Be sure to ask any questions you may have about your policy and the coverage it may provide.

Finally, if you had to relocate and your policy covers loss of use, keep those receipts and record all additional expenses you had to take on as part of your temporary relocation as you will need to provide proof of those costs.

Step 5: File for federal disaster assistance

If your home is in a declared presidential disaster area, you can apply for FEMA individual disaster assistance. If you do not have internet access, you can call 800-621-3362.

Disaster aid may cover:

- Temporary housing
- Lodging reimbursement
- Home repairs
- Home replacement

Permanent or semi-permanent housing construction
Child care expenses
Medical and dental expenses
Funeral and burial expenses
Essential household items, clothing, tools required for your job and necessary educational materials
Heating fuel
Cleanup items
Damage to an essential vehicle
Moving and storage expenses

However, FEMA disaster grants are generally low — see the following chart for average amounts from recent storms. The organization emphasizes that housing grant money is intended to help survivors get a roof over their heads and not to rebuild a home to its pre-disaster condition. FEMA encourages homeowners to consider the federal grant program as a last resort, after insurance and federal loan programs, and not to factor federal grant assistance into disaster preparedness planning.

Below is a breakdown of the average grant payout for recent disasters from the Individuals and Households Program, one the of several disaster assistance programs FEMA offers. The information provided by FEMA includes the average payout for Hurricane Florence as of this writing.

Disaster Average IHP award Hurricane Sandy 2012)

\$7,950.17

Hurricane Matthew 2016)

\$3,409.11

Hurricane Harvey 2017)

\$4,365.75

Hurricane Irma 2017)

\$1,354.72

Hurricane Maria 2017)

\$2,666.10

Hurricane Florence 2018)

\$3,467.22*

*As of Oct. 2, 2018

You can find information about other kinds of Individual Assistance FEMA provides like disaster unemployment assistance and crisis counseling in this factsheet.

As of this writing, DisasterAssistance.gov shows residents in the following North Carolina counties may be eligible for disaster assistance after Hurricane Florence:

Beaufort
Bladen
Brunswick
Carteret
Columbus
Craven
Cumberland
Duplin
Greene
Harnett
Hoke
Hyde
Johnston
Jones
Lee
Lenoir
Moore
New Hanover
Onslow
Pamlico
Pender
Pitt
Richmond
Robeson
Sampson
Scotland
Wayne
Wilson

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In South Carolina, Chesterfield, Darlington, Dillon, Florence, Georgetown, Horry, Marion and Marlboro counties are federally declared disaster areas. As of this writing, there are no declared disaster areas in Virginia.

FEMA may require you to provide evidence that your insurance company declined your loss claim and will not cover your disaster-caused loss. When you apply for disaster assistance, you'll need to provide identifying information like your Social Security number and a current mailing address.

Delays with disaster assistance.

It's important to remember some FEMA funds are funneled through the state government, so depending on how your state allocates its resources, your reimbursement or assistance may take months. Some survivors are still waiting on FEMA disaster assistance aid from Hurricane Matthew in 2016.

According to a FEMA spokesperson, those still waiting on aid from a previous disaster may still qualify for FEMA assistance::

"No matter whether someone is waiting for assistance from FEMA's Hazard Mitigation Grant Program or HUD's Community Development Block Grants as a result of Hurricane Matthew, if they have damage as a result of Hurricane Florence and need assistance with housing or other unmet needs, they should register at www.DisasterAssistance.gov to see if they qualify for assistance from FEMA or other agencies. If they prefer, they can call 1-800-621-FEMA 3362) to register."

Where else can you turn for help?

"It's clear that more and more people do need to take on loans to get back on their feet after disasters because insurance does fall short a lot more than you would expect," said Bach, who has been working in insurance consumer advocacy for 26 years.

Below are a few options you can turn to for help.

Government assistance programs

The U.S. government provides the following programs that may assist eligible borrowers who need assistance with home repair, replacement, restoration or improvement financing. Homeowners with an existing mortgage may also find relief with their loan servicer — many lenders will temporarily reduce or suspend payments in a process called forbearance. The Mortgage Bankers Association says one of your first calls following a hurricane should be to your mortgage servicer. The Consumer Financial Protection Bureau provides information on this and other financial problems following a natural disaster [here](#).

SBA disaster loans

The U.S. Small Business Administration provides financial assistance to not only business owners, but also to homeowners and renters in federally declared disaster areas. These low-interest loans may cover up to \$200,000 to repair or replace the primary residence to its pre-disaster condition. Collateral is required to secure loans over \$25,000. Secondary homes and vacation properties are not eligible for an SBA home disaster loan. Homeowners may also borrow up to an additional \$40,000 with a property disaster loan to replace damaged personal property.

For some homeowners, the SBA may be able to refinance all or part of an existing mortgage up to \$200,000 if they:

Don't have credit available anywhere else.

Suffered a substantial amount of disaster damage that isn't covered by insurance.

Intend to repair the damage.

If you were already paying back a previous SBA disaster loan, the SBA is offering loan deferments of up to nine months to those in federally declared disaster areas impacted by Hurricane Florence. If you already have an SBA disaster loan, you can take out another as long as your home was in a declared disaster area and you are current on all of your payments.

FHA 203h) mortgage

The Federal Housing Administration's 203h) loans are government-insured mortgages that may be used to purchase, improve, remodel or rebuild a home. To be eligible, the borrower must reside in a federally designated disaster area and the home must be damaged or destroyed to an extent that requires reconstruction or replacement.

One of the biggest benefits of a 203h) mortgage is that it does not require a down payment. However, borrowers must pay closing costs — the seller could help by picking up 6% of the cost at most for those buying a new home — and mortgage insurance, which is collected as one upfront charge at the time of purchase and monthly premiums tacked onto the regular mortgage payment. FHA mortgage limits apply and can be found here.

Other types of government loans

SBA disaster loans and the 203h) mortgage are programs specially designed for disaster victims, but there are other government programs — available to anyone — to help homeowners who want to make repairs.

FHA 203k) loans

The Federal Housing Administration's 203k) program is designed to fund a home renovation —

homeowners could use the loan to refinance their current mortgage in order to pay for repairs. The minimum credit score to qualify is relatively low, but there are several requirements you will have to meet, including working with an FHA-approved lender and, possibly, a 203k consultant. Read more about the different types of 203k loans here.

You can use the Section 203k rehabilitation mortgage program along with the HUD Title I Property Improvement Loan program, described here by LendingTree, MagnifyMoney's parent company.

USDA Home Repair program

The Department of Agriculture offers the Section 504 Home Repair program for low-income homeowners. The program provides loans to repair, improve or modernize homes. It also provides loans or grants to low-income elderly homeowners to remove health and safety hazards.

The USDA offers repair loans up to \$20,000 and grants up to \$7,500. You can combine a loan and grant to borrow a total of up to \$27,500. The property must be in an eligible area. To learn more about the home repair program, you can contact a USDA home loan specialist in your area. You can check income eligibility here.

VA rehab loans

The Department of Veterans Affairs in April 2018 updated its alteration and repair purchase and refinance loan program. The VA allows eligible borrowers to refinance a mortgage based on what the appraised value of the property would be after renovations, up to \$227,500. The borrower can also finance closing costs. You can apply for a VA loan through a VA-approved lender.

Fannie Mae HomeStyle® Renovation mortgage.

Fannie Mae offers a HomeStyle® Renovation mortgage that can help finance home repairs. Homeowners could, for example, refinance the costs into an existing mortgage. Borrowers can finance up to 75% of the appraised value of the property after the renovations are completed. Read more about the HomeStyle® program here.

Nonprofit and charitable aid

You may be able to get assistance from national and local nonprofit organizations or charitable institutions. Such groups include the American Red Cross, Habitat for Humanity, Mennonite Disaster Service and the Saint Bernard Project.

Beyond meeting hurricane victims' immediate needs, these organizations and others may help rebuild homes in your area, so it may be worth it to reach out to a local charity regarding grants and other services.

Habitat for Humanity helps low-income survivors rebuild or repair their home if they meet Habitat's requirements. Contact your local Habitat for Humanity office.

Other financing options

If you have a good credit score and the project's costs are relatively low (a few hundred to a few thousand dollars) you may want to consider taking out a personal loan or using a credit card to finance repairs. Bach told MagnifyMoney you may also elect to do this if you don't have cash on hand to cover temporary living, cleanup and minor repairs that may be later reimbursed by insurance.

Personal loans

Personal loans typically have fixed rates and terms. You can usually borrow anywhere from \$1,000 to \$35,000 at rates between 6% and 36% APR. There are a few pros and cons with personal loans:

Pros

Unsecured: Meaning you won't risk losing an asset if you are unable to repay a personal loan.

Fast turnaround: You can generally apply for a personal loan in minutes online and, if you qualify, you may receive the lump sum amount in your bank account as soon as 24 hours later.

Cons

Credit requirements: Borrowers generally must have a good credit score and a low debt-to-income (DTI) ratio to qualify. Borrowers with the highest credit scores and lowest DTI ratios generally receive the best terms.

Fees: You may be charged a loan origination fee or a prepayment penalty.

To get the best offer available to you, compare loan terms and rates at LendingTree.

Credit cards

If you plan to use a credit card for storm-related expenses, one idea is to apply for a new credit card with a 0% introductory offer on all purchases. Note that if you're still carrying a balance once the promotion ends, the new interest rate on the card will apply to whatever balance is left, and some lenders may charge deferred interest, meaning they may charge interest on everything you've charged during the promotional period.

Credit cards charge an average 15.54% APR, according to the Federal Reserve, but there are cards with lower and higher) rates. Generally, lenders offer the lowest interest rates to borrowers with the highest credit scores.

Credit cards generally charge a variable rate and it may change based on your daily balance, so the

minimum amount you are required to pay back each month may fluctuate.

When to consider bankruptcy

John C. Colwell, a bankruptcy attorney and president of the National Association of Consumer Bankruptcy Attorneys, told MagnifyMoney a homeowner may consider bankruptcy in the event that the cost of repairs exceeds the value of the property, comparing it to a vehicle that's been totaled in a car accident. "If or when the insurance monies, if any, or the FEMA, federal or state relief funds are exhausted or not available, those lack of resources to financially recover would be indicators that a bankruptcy should be considered," Colwell said.

But first, Colwell said, homeowners should check for any state protection that may make bankruptcy unnecessary.

California law, for example, protects homeowners after a foreclosure. If a \$600,000 house with a \$400,000 mortgage burns down in a fire, the homeowner can walk away and let the bank foreclose on the home. If the bank forecloses for \$300,000, the original homeowner does not owe \$100,000 to the bank to satisfy the mortgage. While the homeowner must face the consequences of a foreclosure, they would not need to file for bankruptcy. North Carolina has similar protections in place for homeowners. But in most other states, including South Carolina, the mortgage company has the legal right to try and sue the homeowner to collect the remaining balance on the mortgage. Colwell said in those cases it may be appropriate for a homeowner to file for bankruptcy.

"Of course, there are other variables that impact the final decision, but that's one strong indicator that a bankruptcy could help," said Colwell.

In conclusion

If you were one of the estimated 624,000 homeowners affected by Hurricane Florence, help is available. Sources of financial assistance range from your own insurance policies to government assistance and loans to charitable organizations or simply borrowing from a private lender. Rebuilding may be costly and seem overwhelming, so look to resources like United Policyholders and the Insurance Information Institute or your state's emergency management office. North Carolina residents may visit ReadyNC. South Carolina residents may go here.

If you need advice when deciding between options, consult a fee-only financial professional who has experience working with homeowners following a disaster.

If you are considering bankruptcy, it's recommended you speak with a bankruptcy lawyer about the



options available to you and any protections provided by your state.

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