

Insurance Catch-22; Banks may need to co-endorse checks for repairs

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www.newsday.com By: Joe Ryan For homeowners struggling to rebuild from Sandy, the bureaucratic maze may not end once the insurance settlement check arrives. Consider the plight of Diane Ortiz and George Tranos, whose Amityville home was gutted by a torrent of seawater. Two weeks later, a check from the insurance company arrived. Finally, they thought, the rebuilding could begin. Yet, it's not that simple. In addition to the couple, Travelers Insurance named Wells Fargo, the couple's mortgage lender, as a payee on the \$20,000 check. Before Ortiz and Tranos pay contractors with the proceeds, the bank must endorse the check. And Wells Fargo won't sign until the work is finished, Tranos said, leaving the couple in something of a post-Sandy Catch-22. "Do they think I'm going to take the money and go to Tahiti?" said Tranos, 54, standing in his ravaged home overlooking South Oyster Bay as contractors hammered down fresh plywood. "I'm having a hard enough time getting contractors. Now I have to tell them I need the bank to sign off? I'm not sure how much more I can take." It's common practice for insurance companies to include both homeowners and their mortgage lenders on large settlement checks. And banks often refuse to sign off before the work is finished to make sure the property - collateral for the loan - is properly fixed, according to banking and insurance experts and consumer advocates. So as settlement checks to cover Sandy's havoc begin arriving, Long Islanders should add banks to their list of insurance companies, federal agencies and other institutions with whom they must scramble to schedule appointments on storm damage, experts said. "Homeowners should be talking with their mortgage holders to find out how they want to handle paying contractors," said Ellen Melchionni, president of the New York Insurance Association. For smaller settlements of a few thousands dollars, banks may endorse checks up front, experts said. For larger ones, lenders might agree to open an escrow account to pay contractors in installments. And in some cases, homeowners may need to front the repair costs themselves - or persuade contractors to wait until banks sign off. "We have to guarantee that the money has gone to fix the house," said Michael McHugh, president of the Empire State Mortgage Bankers Association. Banks, however, should "be reasonable about releasing the money gradually so you can

start the work,” said J. Robert Hunter, the Consumer Federation of America’s insurance expert. Wells Fargo did not respond to requests for comment about endorsing Ortiz and Tranos’ settlement check. For the couple, the development was the latest setback in a long and difficult fortnight. During the storm, their 95- year-old three-bedroom Cape Cod home took in three feet of water. Wood floors buckled. Walls went soft. After days of trying, the couple reached their insurance company on Nov. 2. An inspector from Travelers arrived four days later. Ortiz and Tranos – who run a motorcycle driving school – hired contractors. The \$20,000 advance check settlement arrived Monday via UPS. “The insurance company has been great,” said Ortiz, 60, a former Newsday employee. The couple went to a Wells Fargo branch to have the check endorsed, but a banker told them the work needs to be completed first, Tranos said. Meanwhile, the couple is bunking at a friend’s converted garage in North Babylon. “We are so exhausted,” Ortiz said.