Post-Wildfire Rebuild Financing

Roadmap to Recovery Workshop
April 27, 2022
California and Colorado 2021 wildfires
About United Policyholders (UP)

• Reputable, established 501(c)3 not-for-profit charitable organization, Platinum Guide Star rating

• A trusted information resource and respected voice for insurance consumers in all 50 states

• 30 year track record and expertise in disaster recovery

• Not for profit…not for sale

• Funded by donations and grants
Team UP

• Professional staff
• Government, Business, Nonprofit partners
• Volunteers
  o Survivor to Survivor - previous catastrophic loss survivors paying it forward
  o Consumer oriented professionals
    • Damage and repair/rebuild cost estimators
    • Lawyers
    • Public Adjusters
    • Tax and Financial Planning experts
    • Construction and Real Estate professionals
Our Three Programs

Roadmap to Recovery®
– Guidance on insurance, restoring assets and getting back home after a catastrophic loss

Roadmap to Preparedness
– Helping households and communities reduce risk and be resilient to disasters and adversity

Advocacy and Action
– Upholding insurance consumer rights and protections
24/7 help on the web: www.uphelp.org

- One Click Link to Sign UP for Events And Email Notifications
- Links to Pro-consumer Professional Help www.uphelp.org/findhelp
- Sample Letters & Claim Forms www.uphelp.org/samples
- Survivors Speak Tips www.uphelp.org/survivors speak
- Upcoming Workshops And Resources www.uphelp.org/events
Upcoming Roadmap to Recovery® Events

Wildfire-Prepared Resilient Rebuilding
(for CA 2020 and CA 2021 wildfire survivors)
Wednesday, May 11, 5:00 p.m. PT / 6:00 p.m. MT (www.uphelp.org/may11)

Survivor to Survivor Forums
Tuesday, May 3, 7:00 p.m. PT / 8:00 p.m. MT (www.uphelp.org/may3)
and
Tuesday, May 17, 7:00 p.m. PT / 8:00 p.m. MT (www.uphelp.org/may17)

www.uphelp.org/events
Register for upcoming events. View recordings of past events and related resources.

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Thank you to our Donors and Funders
The Fine Print

• This workshop is intended to be general guidance only, not legal advice.

• We don’t endorse or warrant any of the sponsors listed at www.uphelp.org or speakers at our workshops.

• Our speakers are volunteering their time as educators.
Today’s Presenters & Partners

**UP staff**
- Amy Bach, Executive Director, United Policyholders
- Valerie Brown, Deputy Executive Director, United Policyholders
- Annie Barbour, Local Recovery Liaison

**Professional volunteers**
- Sidra Goldwater, Fannie Mae
- Sean Charter, Redwood Credit Union, CA
- Elizabeth Million, Elevations Credit Union, CO
- Todd Peyok, Elevations Credit Union, CO

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Today’s Topics

1. Mortgage-related decision making.
2. Loan options for financing the rebuild of an underinsured home.
3. Paying for construction with insurance funds, escrow account best practices.
4. Progress payments, fund control, construction quality control.
Recovering from a disaster is a marathon, not a sprint!
Build (2017 Tubbs Fire)
Framing
Final touches
Build (2017 Tubbs Fire)
Deep breath
Lingo

Escrow Account – A savings account managed by your mortgage servicer

Fannie Mae – Gov’t enterprise created by Congress to promote home ownership. FM buys mortgages/home loans from lenders.

Mortgagor – Lender (Bank or Credit Union) that loaned you money

Mortgagee – Borrower

Servicer – Sends you mortgage statements and handles day to day tasks for managing your loan.
Fannie Mae
Disaster Response

Sidra Goldwater
Advisor – Disaster Recovery & Rebuilding
Some Questions to Ask Before You Rebuild

• How much is still owed on your home? (loan balance)
• What if you were underinsured?
• How can you get what is owed to you?
• Will you need a new loan? What type, SBA
• Do you have a rebuilding game plan?

➢ Underinsurance 101

➢ Planning for Insurance Payouts After a Disaster (Fannie Mae – Don’t Pay Before You Plan)
Know What’s Available to You

• Try to get as much paid up front as you can from your insurance company
• Your lender *may/should* release insurance proceeds greater than your principal loan balance (10%/40%)
• Communication with your lender and contractor is critical
• Talk to an expert (CPA, financial advisor, mortgage professional) about refinancing, tax implications

Getting Your Mortgage Company To Release Insurance Proceeds

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Things to avoid when working w/your lender, servicer to release funds

Paying off a low interest rate mortgage w/out a specific plan

Launching a construction project w/out a game plan

Not having paperwork in order (adjusters estimate, rebuild project)

Rushing to hire a builder w/out due diligence

Time and materials w/out a detailed budget *may not* be acceptable to lender

Unrealistic or incomplete rebuild estimates that will require multiple change orders (fees, code upgrades, trades, etc.)
Tracking down an authorized signer...

Mortgage Servicing Companies – Loss Draft Processors

Although Countrywide Mortgage (Balboa) handles most of their own loss draft processing and Sterling National Corporation (previously known as Z C Sterling) handles a good percentage, most of the loss draft processing done throughout the USA is handled by Atlanta, GA based Assurant Specialty Property (ASP) which is a subsidiary of Assurant, Inc. (AIZ). This niche market earns ASP a lot of money, much of which, at least in my opinion and the opinion of probably every contractor in the country who has ever had to deal with them, is undeserved.

The software program ASP uses to track your customers loss drafts (ultimately, your money) and that they tell their investors and customers (i.e.). Citi, US Bank, etc., is so effective, is called “DraftTrac Enterprise tracking.” The reason they continue to do such a poor job is that they assume you and your customers will never figure out who is behind the delays – but you just did.

TOP ASP EXECUTIVES

Alan B. Colberg, CEO – Assurant, Inc.
Melissa Kivett, SVP, Business Development & Strategy – Assurant, Inc.
Francesca Luthi, SVP, Investor Relations – Assurant, Inc.
Gene Mergelmeyer, COO – Assurant, Inc.
John Frobose – President, ASP
Mike Campbell – President, Global Home Services – Assurant, Inc.
Gary Turner – Director Customer Experience – Assurant, Inc.

Mike Lawson – VP Assurant Group (manager of east coast site in OH where a majority of loss draft processing in the country takes place). Other centers are located in Florence, SC, Duluth, GA (HQ), Santa Ana, CA and Tustin, CA.

Media Contact:
Vera Carley
Director, Media Relations
Phone: 212-859-7002
vera.carley@assurant.com

Investor Relations Contacts:
Francesca Luthi
Senior Vice President, Investor Relations
Phone: 212-859-7197
francesca.luthi@assurant.com

Suzanne Shepherd
Director, Investor Relations
Phone: 212-859-7062
suzanne.shepherd@assurant.com
LOAN OPTIONS FOR FINANCING YOUR REBUILD
Options

What are the construction loan options your Credit Union offers?

Single close, construction financing

Gap financing
Gap financing options

Talk to your lender and see if they have:

- Gap/bridge loans, a short-term residential loan to meet an immediate financial obligation which would then be rolled into a long-term financial tool
- Bridge loan/Home Equity Line of Credit for those insured, against the future residence

If your lender doesn’t offer these types of products, check with other lenders, many credit unions offer flexible residential lending products.
What you need to know about construction loans and mortgages

- Conversion of construction loan to permanent fixed-rate mortgage
- Construction only loan – must be paid in full or refinanced into a mortgage
- Owner-builder (only if licensed, experienced GC)
PAYING FOR CONSTRUCTION WITH INSURANCE FUNDS
Paying for Construction – Best Practices

• First, calculate cost to rebuild as-was (what your home should have been insured for)
• Work with a builder or estimator get an estimate

➢ The Scoop on “Scope” (of loss)

➢ Guidelines For Reviewing Adjusters’ And Contractors’ Estimates
Escrow accounts and fund control

- Required if you have a mortgage.
- Provides added protection to the homeowner – the bank helps you through the process with fund disbursement, inspections, collect lien waivers.
- Establishing an escrow account with a local lender helps with quality control oversight and helps you avoid paying your builder more than current progress warrants.
- Interest earned on the restricted escrow account should be paid to you when the account is closed.
Managing Insurance Funds

• Structure your contractor agreement draw schedule to be consistent with (or more favorably than) your lender disbursement schedule

• Do NOT let your contractor "get ahead" of your agreed draw schedule

➢ What to Do With Checks from Your Insurance Company
Options to Pay For Your Rebuild

• Your insurance company and lender coordinate and manage payments to your builder (mortgage)

• Hire a builder and pay from insurance proceeds (no mortgage)

• Obtain construction loan/HELOC
Where Do Additional Funds Come From?

- External Savings
- Personal Property Proceeds
- Retirement Savings/Loan: Federally Tax Favored Qualified Withdrawal
- Granny Unit within the Rebuild?
CONSTRUCTION QUALITY CONTROL
Balancing your budget & bottom line

- Be mindful of change orders and their impact on your final bill.
- Be aware of the terms of your contract and make sure your contractor is upfront about the impact of rapidly changing material costs.
- Do NOT let your contractor "get ahead" of your agreed draw schedule.
- If it is in your contract make sure that your contractor fulfills the entire contract. Some will say that money for landscaping has been used in another category for example.
Check your contract

What is there

- Overhead and profit
- Project schedule

What is NOT there

- No penalties for not being in on time
- No finish/end/start date

Know that there are things for which you may need an expert. Contract review is one of them.
**Terms of Agreement**

*A Consumer Guide to Home Improvement Contracts*

**CONTRACTORS STATE LICENSE BOARD**
California Department of Consumer Affairs

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### WILL YOUR PROJECT DESCRIPTION GIVE YOU THE RIGHT RESULTS?

<table>
<thead>
<tr>
<th>GOOD EXPECTATIONS</th>
<th>TROUBLE AHEAD</th>
<th>GOOD LUCK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Install xx (quantity) Company XYZ upper/lower maple kitchen cabinets, model ABC, style/color 0123, European hinges, hardware model 1000, per plan dimensions and diagram.</td>
<td>Install maple kitchen cabinets.</td>
<td>Install some cabinets.</td>
</tr>
<tr>
<td>Paint indoor entry (per plan) using Brand X paint, color 567, two coats, with preparation and taping described in next paragraph.</td>
<td>Prep and paint entryway with blue paint.</td>
<td>Paint the entry.</td>
</tr>
<tr>
<td>Install Brand X kitchen faucet in style ABC and color BCS.</td>
<td>Replace kitchen faucet, if necessary.</td>
<td>Replace kitchen fixtures.</td>
</tr>
</tbody>
</table>
Quality Control

- Consider a private inspection before final payment. Be present onsite for final inspection.
- Occupancy permit – temporary occupancy permit or final certificate of occupancy
- Your contractor should provide you lien releases when construction is finished so make sure you let them know that you are expecting it.
Questions or concerns: Call the Colorado Division of Insurance at 303-894-7490 or email us at DORA_Insurance@state.co.us
Colorado Division of Insurance

Marshall Fire Response Website
doi.colorado.gov/marshall-fire-response

Resources, FAQs, Information from Boulder County, Town Hall info
Ask an Expert Forum
www.uphelp.org/ask-an-expert

- Register. It’s free.
- Write in your questions.
- Get an answer from an expert in construction, insurance, laws and disaster recovery.
Thank you to our Donors and Funders
For More Information

If you still have questions, visit UP’s website and search for more claim tips, articles and helpful info at:

www.uphelp.org