



# 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
  - Survivor to Survivor - previous catastrophic loss survivors paying it forward
  - 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

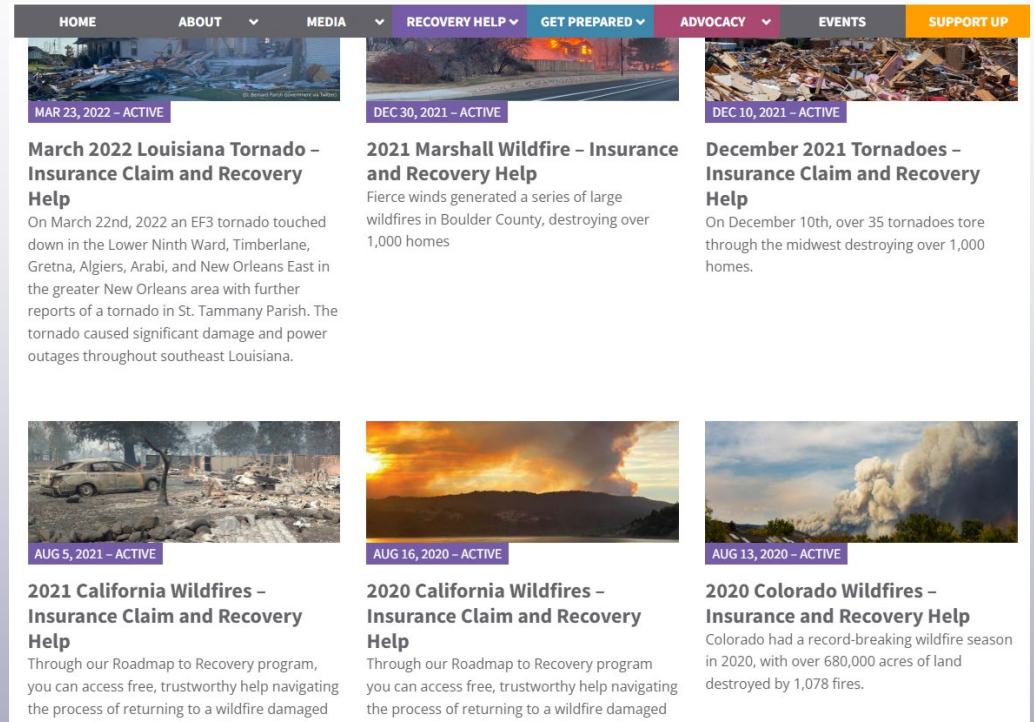
- Helping households and communities reduce risk and be resilient to disasters and adversity

## Advocacy and Action

- Upholding insurance consumer rights and protections

# 24/7 help on the web: [www.uphelp.org](http://www.uphelp.org)

- One Click Link to Sign UP for Events And Email Notifications
- Links to Pro-consumer Professional Help  
[www.uphelp.org/findhelp](http://www.uphelp.org/findhelp)
- Sample Letters & Claim Forms  
[www.uphelp.org/samples](http://www.uphelp.org/samples)
- Survivors Speak Tips  
[www.uphelp.org/survivors\\_speak](http://www.uphelp.org/survivors_speak)
- Upcoming Workshops And Resources  
[www.uphelp.org/events](http://www.uphelp.org/events)



# Upcoming Roadmap to Recovery<sup>®</sup> 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](http://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](http://www.uphelp.org/may3))  
and

Tuesday, May 17, 7:00 p.m. PT / 8:00 p.m. MT ([www.uphelp.org/may17](http://www.uphelp.org/may17))

[www.uphelp.org/events](http://www.uphelp.org/events)

Register for upcoming events. View recordings of past events and related resources.

# Thank you to our Donors and Funders



**COMMUNITY  
FOUNDATION**  
BOULDER COUNTY

INSPIRING IDEAS. IGNITING ACTION.®



# 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](http://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

# 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!



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# Build (2017 Tubbs Fire)





# Foundation





# Framing







# Final touches

© 2018 ROBERT STARKEY



# 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.

# MORTGAGE-RELATED DECISION MAKING



# Fannie Mae Disaster Response

Sidra Goldwater  
Advisor – Disaster Recovery & Rebuilding

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# 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

<https://uphelp.org/claim-guidance-publications/underinsurance-101/>

## ➤ Planning for Insurance Payouts After a Disaster (Fannie Mae – Don't Pay Before You Plan)

<https://uphelp.org/wp-content/uploads/2021/03/20210204-Dont-Pay-Before-You-Plan-copy.pdf>

# 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  
<https://uphelp.org/claim-guidance-publications/getting-your-mortgage-company-to-release-insurance-proceeds/>

# 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...

BURCOS 3RSystems, LLC

## 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.

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# LOAN OPTIONS FOR FINANCING YOUR REBUILD

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# 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

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# 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)  
<https://uphelp.org/claim-guidance-publications/the-scoop-on-scope-of-loss/>
  - Guidelines For Reviewing Adjusters’ And Contractors’ Estimates  
<https://uphelp.org/claim-guidance-publications/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  
<https://uphelp.org/claim-guidance-publications/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

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# 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

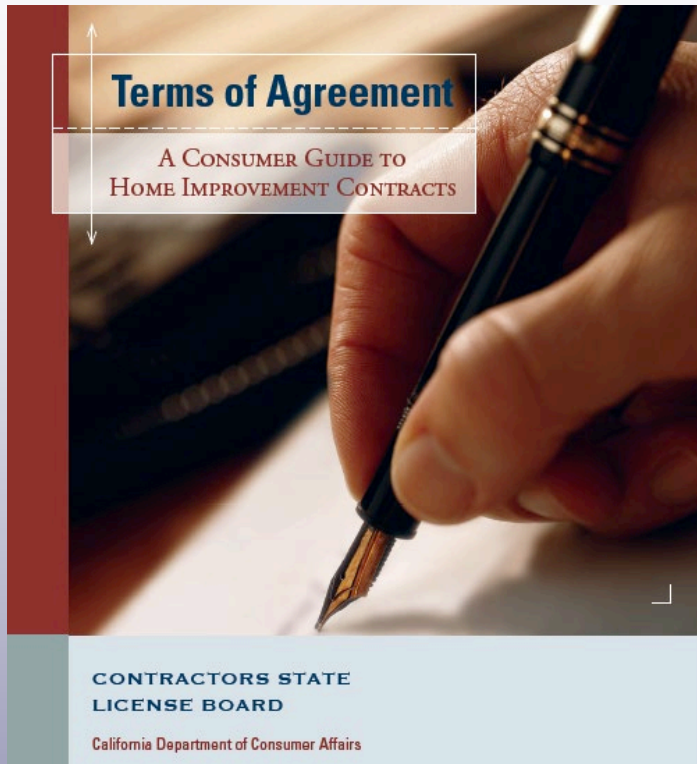
- Overhead and profit
- Project schedule

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.

<https://www.cslb.ca.gov/Resources/GuidesAndPublications/HomelImprovementContractsConsumerGuide.pdf>



A CONSUMER GUIDE TO HOME IMPROVEMENT CONTRACTS		
WILL YOUR PROJECT DESCRIPTION GIVE YOU THE RIGHT RESULTS?		
GOOD EXPECTATIONS	TROUBLE AHEAD	GOOD LUCK
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.	Install maple kitchen cabinets.	Install some cabinets.
Paint indoor entry (per plan) using Brand X paint, color 567, two coats, with preparation and taping described in next paragraph.	Prep and paint entryway with blue paint.	Paint the entry.
Install Brand X kitchen faucet in style ABC and color BCS.	Replace kitchen faucet, if necessary.	Replace kitchen fixtures.

# 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.



# CALIFORNIA DEPARTMENT OF INSURANCE



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**OR GO ONLINE: [insurance.ca.gov](https://insurance.ca.gov)**





Questions or concerns: Call the  
Colorado Division of Insurance at  
**303-894-7490** or email us at  
**[DORA\\_Insurance@state.co.us](mailto:DORA_Insurance@state.co.us)**



## Colorado Division of Insurance

Marshall Fire Response Website  
[doi.colorado.gov/marshall-fire-response](https://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

The screenshot shows the 'Ask an Expert' forum page on the United Policyholders website. The header includes the United Policyholders logo, navigation links (LOG OUT, MY QUESTIONS, ASK AN EXPERT), a search bar, and a main menu (HOME, ABOUT, MEDIA, RECOVERY HELP, GET PREPARED, ADVOCACY, EVENTS, SUPPORT UP). The 'ASK AN EXPERT' section has a purple header and sub-navigation (HOME, ACCOUNT). A note states the feature is in beta testing. Below is a paragraph about the forum's purpose. To the right are social media icons and an 'EXPLORE CATEGORIES' dropdown menu showing 'Additional Living Expenses (ALE)'. At the bottom, there's a 'WHAT DO YOU WANT TO KNOW?' search bar and a 'FREQUENTLY USED PUBLICATIONS' section listing 'Top Ten Insurance Claim Tips'.

United Policyholders  
INSURING THE FUTURE

LOG OUT MY QUESTIONS ASK AN EXPERT Search

HOME ABOUT MEDIA RECOVERY HELP GET PREPARED ADVOCACY EVENTS SUPPORT UP

### ASK AN EXPERT

HOME ACCOUNT

**NOTE: THIS FEATURE IS CURRENTLY IN BETA TESTING.** Thanks for your patience as we work out the bugs.

You Need Answers. Use this forum to get them. Search for answers or post a question about your insurance issue or the loss recovery process. Expert volunteers include professionals in construction, insurance claims and insurance law plus people sharing their own disaster recovery lessons learned.

Facebook Twitter LinkedIn Instagram YouTube

#### EXPLORE CATEGORIES

Additional Living Expenses (ALE)

#### WHAT DO YOU WANT TO KNOW?

Search

#### FREQUENTLY USED PUBLICATIONS

- Top Ten Insurance Claim Tips

- 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



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# 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](http://www.uphelp.org)**