

Helping Older Homeowners Recover from Natural Disasters

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National Consumer Law Center

The National Consumer Law Center uses its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults and people of color. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitive practices, help financially stressed families build and retain wealth, and advance economic fairness.

Introduction

The recent spate of natural disasters, which disrupted the lives of millions of people, disproportionately impacted older adults.¹ A major disaster destroys communities, businesses, homes, and displaces family members and caregivers, the support system older adults rely on to successfully age in place. Access to medical care, medication, adequate nutrition and assistive devices are limited, exacerbating chronic health conditions. The emotional trauma of losing family or property adds to the burden.

Depending on the severity of the disaster, older adults can access a slate of government and private resources to aid in recovery. However, these programs or resources may not adequately meet their needs, and, in the months and years following a disaster, many will suffer financial hardship. Long-term recovery from a disaster will depend on an older adult's quick access to all available financial resources immediately after the event.

Key Lessons

1. Older adults who are victims of major disasters have fewer private assets to aid in recovery.
2. Accessing all available programs and resources from insurance, government, and aid organizations is essential to rebuilding.
3. Private insurance and government assistance through FEMA and other programs provides funding for living expenses, repairs, and replacement of property.
4. Lenders will impose a moratorium on foreclosure immediately after a disaster. When the borrower's property, employment, or income is seriously impacted by a major disaster, the lender may offer workout options.
5. Homeowners should be wary and take steps to avoid disaster-related scams.

¹ The most recent natural disasters were hurricanes María in Puerto Rico, Harvey in Texas, Irma in Florida, wildfires in California and volcano eruption in Hawaii. However, natural disasters have occurred in every state and the disaster-related death rate is usually higher for older adults. For example, approximately 70% of the deaths attributed to hurricanes Katrina and Rita in 2005 and Sandy in 2012 were older adults.

Challenges Faced by Older Homeowners after a Disaster

Nearly 80% of older adults own a home. Like other homeowners after a disaster, older adults are faced with the challenge of repairing or rebuilding their homes, finding alternative living arrangements if the home is uninhabitable, and dealing with possible unemployment if they are still in the workforce. Age-related changes may decrease mobility, making it harder for older adults to participate in or supervise the clean-up or repair of their property. Some older adults face practical challenges accessing the disaster-related programs discussed below including technological barriers, and those related to physical (i.e., hearing loss) or cognitive impairment.² At a vulnerable time, older adults must make quick and complex decisions regarding home repair, insurance claims, mortgage payment relief, and applying for financial and other benefits.

Recovering from a disaster can be a lengthy and complex process. Immediately after a disaster, survivors are concerned with their personal welfare and that of family members and loved ones. Those who have secured temporary housing may be concerned about receiving enough proceeds from insurance or accessing other funds to live on while the primary residence is repaired. Once the immediate emergency has passed, older adults will need several layers of assistance from insurance, government, nonprofit organizations and other aid agencies. Older homeowners, especially those without insurance or adequate insurance, may need to rely on family and friends and seek the assistance of trusted advisors to navigate a web of assistance programs.

Accessing Insurance Benefits

After the older adult has secured her personal safety and assessed the condition of the home, the process of recovery usually begins with filing a claim with the insurance company. The filing of insurance claims for losses, including homeowner, flood, health and auto, is necessary to receive FEMA benefits, as discussed below.

Mortgage loans require borrowers to maintain homeowner (or hazard) insurance to protect the lender's interest in the property. The scope of the coverage and the homeowner's rights are outlined in the insurance policy, including use of the proceeds for the repair or replacement of the home. Homeowner's insurance typically does not cover flood damage, though it may cover water damage inside the home.³ The rules vary for the distribution of insurance proceeds, and are often based on whether the mortgage was current or in default when the disaster occurred.

Homeowners should immediately report a loss to the insurance company, so the property can be inspected. After a covered loss occurs, the insurance company issues a claim check typically identifying both the borrower and the lender or servicer as payee. As payee, the lender or servicer can control disbursement of the proceeds to the homeowner. The servicer may disburse proceeds in a single payment or in a series of payments as the work is completed. Delays in distributions of funds or limits to amounts paid by the insurance company can hamper a homeowner's ability to repair the home, necessitating funds from other sources for critical repairs. Older homeowners may need the assistance of an advocate or their state's department of insurance if the insurance company unfairly limits or turns away a valid claim.⁴

Assistance From FEMA

The Federal Emergency Management Agency, more commonly known as FEMA, provides housing and other assistance to individuals and families who have lost their homes as a result of a presidentially-declared

2 Long lines, for example, prevented some elderly and disabled persons from registering for federal disaster food assistance in the aftermath of Hurricane Irma.

3 The National Flood Insurance Program offers flood insurance coverage. More information on the National Insurance Flood Program is available at [floodsmart.gov](https://www.floodsmart.gov).

4 See Insurance Information Institute, "Settling Insurance Claims After a Disaster" (with list of State Insurance Departments) available at [iii.org/sites/default/files/docs/pdf/SettlingClaims20081.pdf](https://www.iii.org/sites/default/files/docs/pdf/SettlingClaims20081.pdf).

disaster.⁵ FEMA provides assistance when insurance or other forms of disaster-related assistance cannot fully meet the needs of individuals or families. Some assistance is in the form of low-interest disaster loans administered by the U.S. Small Business Administration (SBA). An application to FEMA triggers the SBA loan process.

FEMA housing-related assistance includes: financial assistance to rent a temporary place to live; reimbursement for hotel or other short-term lodging while displaced from home; money to repair disaster-caused damage to the primary residence not covered by insurance; financial assistance to replace a home destroyed by a disaster that is not covered by insurance; and direct assistance for the construction of a home (only in insular areas or other locations specified by FEMA). Applicants may receive more than one type of housing assistance, including a combination of direct services and financial assistance due to damage to the primary residence.⁶

Money to repair or replace a vehicle, to assist with medical, dental, or funeral expenses and other types of non-housing related needs are also available.

Individuals can apply for assistance at www.disasterassistance.gov; on the FEMA Mobile App, or by calling 800-621-FEMA (3362). People who are deaf, hard of hearing, or have a speech disability and use a TTY may call 800-462-7585.⁷ FEMA's Disaster Recovery Centers also accept in-person applications and provide program information. Individuals have 60 days from the date of the federal declaration to apply for assistance, though the deadline may be extended.⁸ FEMA may require documents pertaining to ownership of the home, income loss, and/or the applicant's housing situation prior to the disaster. An applicant will usually receive a call from FEMA within 10 days of submitting the application to schedule an appointment for a home inspection. Homeowners who disagree with FEMA's determination of eligibility or the form of assistance provided can appeal the decision within 60 days of the date on the determination letter.

Avoiding Foreclosure After a Disaster

After a disaster, homeowners may struggle to pay their mortgage or meet other obligations under a conventional or reverse mortgage.⁹ If the disaster impacts the homeowner's ability to make timely mortgage payments the loan servicer may offer forbearance, a period of reduced or suspended payments.¹⁰ The servicer may initially offer a forbearance of up to three or six months; that period may be extended to a year with financial and other documentation of continuing hardship. At the end of the forbearance period the borrower must bring the loan current, or enter into a repayment plan or other option discussed below. Late fees typically are not added to the account during the forbearance period. The availability of this option will depend on guidelines established by the owner or insurer of the mortgage loan.

Homeowners who defaulted on their mortgage or faced foreclosure prior to the disaster will also receive temporary relief. Immediately after a major disaster, the owners, investors and insurers of mortgage loans typically impose a 90-day moratorium on foreclosure activity, including the suspension of foreclosure sales and post foreclosure evictions, for properties located in the disaster area. This initial moratorium may be extended for

5 Not all storms or events are covered by FEMA. FEMA's website, disasterassistance.gov, provides information about whether a particular address is located in a disaster area.

6 Applicants whose homes are located in a flood area who receive assistance for home repair, replacement or permanent housing construction or for personal property must obtain and maintain flood insurance as a condition of accepting disaster assistance.

7 The toll-free numbers are open from 7 a.m. to 11 p.m. ET, seven days a week. Multilingual operators are available.

8 The application deadline for Puerto Rico is June 18, 2018.

9 Reverse mortgage loans allow older borrowers to convert home equity into cash without having to move out or make periodic mortgage payment. Homeowners are responsible for paying taxes and insurance. For more information on reverse mortgages, please see NCLER's issue brief, available at: ncler.acl.gov/pdf/Reverse-Mortgage-Servicing-Foreclosure-Emerging-Issues.pdf.

10 The servicer acts on behalf of the owner of the loan and performs other administrative functions including sending the monthly statement and managing escrow accounts. The servicer also negotiates any repayment or loss mitigation plan with a defaulting homeowner and hires a foreclosure attorney if necessary. In this publication servicer and lender are used interchangeably.

an additional 90 days or more depending on severity of the disaster and need in the impacted community.¹¹

The ancillary and other costs associated with evacuating and recovering from a disaster may deplete money set aside to pay the mortgage. The loan servicer will offer loss mitigation (also known as “workout”) options to homeowners who are unable to bring a loan current at the end of a forbearance period, or who continue to suffer hardship. These options will help the homeowner avoid foreclosure by modifying the terms of the loan to reduce the monthly payment, or facilitate the sale of the home for less than the amount due (“short sale”) or return the property to the lender, known as a deed-in-lieu of foreclosure. The options available to homeowners will depend on who owns or insures the mortgage loan.¹² To begin the loss mitigation or workout process the homeowner must contact the loan servicer.

Other forms of financial or housing-related assistance may be available from the state and local government. After past disasters, for example, states developed grant and loan programs to aid homeowners in recovery.¹³

PRACTICE TIPS

Roadmap to Financial Recovery after a Disaster

Disasters cause financial distress to homeowners and communities in the near and long term. New financial issues may surface months after a disaster. Advocates should ensure that older adults:

- Apply for all available benefits (including non-housing benefits) within the time period established by the program or fund, and file insurance claims on time. Legal or other assistance may be needed to challenge denials of benefits or claims.
- Work with HUD-approved housing counselors to resolve a mortgage delinquency. An experienced counselor can help the homeowner navigate the documentation and other requirements for obtaining a workout or other foreclosure avoidance option. With reverse mortgages, counselors may assist in obtaining a plan to repay the servicer’s advances for delinquent taxes and insurance.
- Protect older homeowners from disaster-related scams and frauds. Scams are common after a disaster. The most common scams are those related to home repair and loan modifications. However scammers can pose as government officials, insurance agents, and employees of financial organizations.
- Get relief or make a plan to repay non-housing related debt. Homeowners may need temporary or permanent relief from many financial obligations. Other financial obligations, including credit card, student loans, or utilities, may have policies that delay or cancel debt due to a disaster. Homeowners should pursue these options with each creditor or with the help of a financial counselor.

Conclusion

Older homeowners face multiple challenges when rebuilding after a major disaster. Many will need to amass money quickly to pay for post disaster necessities. This may mean delaying or not paying the mortgage or other bills. Financial recovery begins with the older adult accessing all available resources to mitigate the financial and emotional toll of the disaster.

11 The moratorium in Puerto Rico and the U.S. Virgin Islands expires August 16, 2018.

12 Fannie Mae and Freddie Mac, the primary investors of most mortgage loans in the U.S., sets the policies regarding disaster assistance for their loans. The federal government (the Federal Housing Administration (FHA), which is part of the U.S. Department of Housing and Urban Development (HUD); the Rural Housing Service, which is part of the U.S. Department of Agriculture; and the Department of Veterans Affairs, also establish disaster-related rules for loans they guarantee or insure. Each organization or agency’s policy is available online.

13 For example, Louisiana’s Road Home Program was created after Hurricanes Katrina and Rita in 2005 using federal disaster funds to assist affected homeowners. Eligible homeowners received a one-time grant payment of up to \$150,000 for damage to the home not covered by property insurance, FEMA grants, or other federal, state, or local government programs.

Additional Resources

- [FEMA individual disaster aid](#)
- Freddie Mac & Fannie Mae
 - » [Fannie Mae Disaster Assistance](#)
 - » [Freddie Mac Natural Disaster Relief](#)
 - » Fannie Mae and Freddie Mac Loan Lookup:
 - » [Fannie Mae Loan Lookup](#), or call 1-800-7FANNIE (8:00 a.m. to 8:00 p.m. ET); Freddie Mac Self-Service Lookup or call 1-800-FREDDIE (8:00 a.m. to 8:00 p.m. ET).
- Government-guaranteed or government-insured loans
 - » [HUD \(for FHA-insured loans\)](#)
 - » [Department of Veterans Affairs \(VA\)](#)
 - » [USDA/Rural Development, Rural Housing Service \(RHS\)](#)
- Housing Counseling
 - » [HUD-approved housing counseling agency](#)
 - » [HOPE NOW](#)
- State & Federal Consumer Protection Agencies
 - » [Federal Trade Commission \(FTC\)](#)
 - » [Consumer Financial Protection Bureau \(CFPB\)](#)
 - » [Office of Older Americans](#)
 - » State Insurance Commissioners
 - » [National Association of Insurance Commissioners membership list](#)
 - » State attorneys general
 - » [National Association of Attorneys General](#)
- Legal Assistance & Resources
 - » [National Legal Aid & Defender Association \(NLADA\) Disaster Legal Aid](#)
 - » [Legal services/legal aid](#)
 - » [Volunteer lawyers](#)
 - » [National Association of Consumer Advocates](#)
- Publications related to disasters
 - » National Consumer Law Center, [Obtaining Mortgage Relief for Victims of Disasters](#)
 - » National Consumer Law Center, [Student Loan Relief after a Disaster: Your Guide to Temporary and Long-Term Relief Options](#)

- Other publications
 - » National Consumer Law Center, *Unfair and Deceptive Acts and Practices* (8th ed. 2012)
 - » National Consumer Law Center, *Guide to Surviving Debt* (10th ed. 2016)

Case consultation assistance is available for attorneys and professionals seeking more information to help older adults. Contact NCLER at ConsultNCLER@acl.hhs.gov.

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