

Planning for Insurance Payouts After a Disaster

If a disaster damages or destroys your home, it could result in significant financial challenges. You may need to make several major decisions very quickly. Before taking action, learn about your disaster recovery options, especially those related to your homeowners insurance and the decision to rebuild or pay off your mortgage.



Three considerations when receiving your home insurance payout:

- 1 Understand your policy.** After a qualifying disaster, your homeowners insurance may cover some or all of the repair costs. The amount distributed depends on the policy type, coverage amount, and deductible. You may receive an initial partial payout to help with temporary or urgent repairs and to replace your damaged belongings.
- 2 Pay off or rebuild?** Should you pay off your mortgage or rebuild? Remember, you may become eligible for additional funds to complete the repair of your home. It's also possible to request adjustments to your insurance payout if the repair/rebuild costs are higher than originally anticipated. It is possible homeowners impacted by a disaster may receive more money from their insurance providers when they show the cost to rebuild is more than their initial payout.
- 3 Develop a plan.** If your home is still mortgaged, the insurance company will make checks payable to you and your mortgage servicer. Some lenders may offer to apply these funds toward your mortgage balance. However, paying off your mortgage with these funds is not required except under certain circumstances. Work with your mortgage servicer to identify your options and develop a solid plan. If your mortgage is owned by Fannie Mae, your mortgage servicer will hold your insurance proceeds in an interest-bearing account until it's determined whether to rebuild and how.

Reasons to consider rebuilding:

- ✔ Insurance may cover the cost to rebuild
- ✔ Protect the neighborhood and support its recovery
- ✔ Return to your pre-disaster "normal" faster

If you use your insurance proceeds to pay off your mortgage, and then decide you want to rebuild, you may need to take out a construction loan that may not be commonly available. This type of loan generally requires strong credit and another permanent mortgage once construction is complete.

"Recovering from a disaster can be a long and an emotionally difficult process, so having someone there to help you make decisions when you need them is a big deal." – Kate Bulger, director of business development for Money Management International (MMI) and creator of MMI's Project Porchlight program, which helps operate Fannie Mae's 855-HERE2HELP disaster recovery counseling.

Fannie Mae's 855-HERE2HELP line

Fannie Mae's 855-HERE2HELP disaster recovery counseling services can help you address situations related to insurance, rebuilding options, and more.

HUD-approved housing counselors will assess your unique situation and develop a personalized disaster recovery plan. They can help you file insurance claims and apply for financial relief, including assistance from the Federal Emergency Management Agency (FEMA) and disaster loans from the Small Business Administration (SBA).



Contact our 855-HERE2HELP line
855-437-3243



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