

After the storm is over, disaster recovery for Minnesotans

Frequently asked Questions



Q: I've settled with the insurance company, now what?

Once the dust settles or the water recedes and everyone is safe, homeowners affected by a disaster should immediately call their insurance company and their mortgage servicer - they will be your partners in rebuilding your home.

As soon as the insurance process is underway, you should immediately contact the customer service center or claims center for your mortgage servicer. With the experience of hurricanes Rita and Katrina, most mortgage service companies now have a packet of information ready with instructions on what to do with your insurance settlement check and how to manage the repair and reconstruction of your home.

Q: Why is my insurance settlement check written out to my mortgage servicer?

Assuming you have a mortgage on your home, the insurance settlement check will likely be written to both you and the holder of your mortgage (a bank or mortgage service company). This is because the lienholder has a right under the Uniform Commercial Code to protect its collateral and to make sure the insurance money is used to actually repair the property (remember, the house is the collateral for the loan).

If your damage was relatively minor and your insurance settlement is less than \$10,000, the mortgage servicer will usually endorse the check and return it to you immediately.

If you sustained major damage or a total loss, the mortgage servicer will normally release one third of your settlement check immediately so you can make a down payment with your contractor. As the construction process continues, the mortgage servicer will typically release another third of the money when the construction is 50% completed and the final third upon completion of the entire project. Because the servicer is responsible to the holder of the mortgage to return your property to its original value, they may require an inspection of the construction work (which they will pay for) before releasing all of the funds.

Q: My contractor says I should have the insurance settlement check written only to me to speed up the rebuilding process?

This is unnecessary and impractical because your mortgage servicer has the right, under the Uniform Commercial Code, to protect its collateral and to make sure the insurance money is used to restore the property to its original value. After the experience of hurricanes Rita and Katrina, most mortgage service companies now have a very fast turn around time and will work with your contractor to begin construction as soon as possible.

Q: Do I have to use the insurance settlement to pay off my current mortgage?

No. Your mortgage service company will keep your insurance settlement money in escrow and release it to you in installments so you can repair or rebuild your home. You are not required to pay off your current mortgage and should continue making your normal monthly payments.

MORE

FACTSINFO DATA

Q: If my house is destroyed, am I still required to make mortgage payments?

Even if your house is completely destroyed, the mortgage still exists. Most mortgage service companies will work with you to set up a payment plan, provide a grace period for late charges, and help in any way possible.

Contact your mortgage servicer, inform them of your situation, and ask them to explain what assistance they offer. You may be eligible for a grace period if:

You have evidence that your ability to make payments has been affected because your place of employment or ability to work was affected by a disaster.

You're the spouse of someone who died, is missing, or was injured in the disaster.

Your property has been damaged or destroyed and is within a federally declared disaster area.

During this grace period most mortgage servicers will waive late fees and stop any late payment collection activities. It's important you contact them to understand what assistance you are eligible for and the requirements for repaying any payments missed during the grace period.

Call the Minnesota Department of Commerce With Questions

For questions regarding insurance call the Minnesota Department of Commerce Consumer Response Team at (651) 296-2488 or (800) 657-3602. You can also visit our insurance website at www.insurance.mn.gov.