

Handling Your Finances After a Disaster— Facts and Financial Information for Disaster Victims



As the disaster shifts from response to recovery mode, survivors of the flood - individuals, businesses and communities alike - are facing some serious financial realities. It is important that everyone affected be aware of their individual financial circumstances as they begin rebuilding and know where short and long-term financing may be available.

FIRST, it is important that you familiarize yourself with what is available from the Federal Emergency Management Agency (FEMA) and the Small Business Administration (SBA) in the form of grants and loans. The toll-free registration number is 800-462-9029.

In addition to state and federal disaster aid and charitable donation funds, here are some helpful hints on how to organize your financial arrangements and some ideas on other places where cash may be accessible to assist you in the recovery process. Note that many of these ideas are merely options to explore within your own financial circumstances, not recommendations to be exercised by everyone. Always check with your insurance agent and/or company, your financial institution, or your financial advisor before making decisions on accessing cash from your own resources.

COMPILING FINANCIAL RECORDS

Records of your finances will be necessary for your short and long-term planning. They will give an organized view of your financial picture and may also be required when you apply for assistance in the form of both grants and loans. It is important to locate your personal financial documents, and in the event that they have been lost, get copies from those that have them.

Call your insurance agent or company to get copies of your insurance policies and contracts, recent billing statements, cash value statements and other applicable information if you have lost your own copies. If you experience difficulties locating your agent, call the Department of Commerce at 1-800-657-3602 to find help in locating the whereabouts of your agent.

Contact your local credit bureau and financial institutions (banks, credit union, etc.) to have them send credit reports, loan application records, bank statements, or other records you may need.

Call the Internal Revenue Service and the Minnesota Department of Revenue to have them send you your tax records and filings for the last three years. For federal records call 800-829-1040 and for state records call 800-652-9094.

MAKING PAYMENTS

Insurance Premium Payments

Check with your insurance agent or company to find out if they have instituted premium payment deferrals, accelerated claims payment or other practices available to you that recognize the difficulties facing flood victims. Some insurance companies have instituted a deferred premium plan to provide flood victims with some “breathing space” for their immediate financial obligations.

Mortgage Payments

Check with your mortgage lender to see if the terms of your mortgage include forbearance provisions that suspend or reduce payment obligations in the event of such disasters. These may include temporary suspension of payments, longer period of reduced payments, and restructuring of loans to create a longer payback period.

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FACTSINFO DATA

Other Loan Payments

Some financial institutions may offer lower payment plans to customers who qualify for Federal Small Business Administration loans, or disaster housing grants, or other grant/loan programs. Contact FEMA at 800-462-9029.

Check the Greater Minnesota Fix-Up and Home Energy Programs for low cost loans for needed improvements. For direct loans, modification of existing credit terms, and assistance in accessing federal low cost loans, contact local financial institutions that are Minnesota Housing Finance Agency lenders. To identify these lenders, call the Department of Commerce at 800-657-3602.

ORGANIZING YOUR FINANCIAL INFORMATION

Make a list of your creditors and their phone numbers. If you have difficulty identifying all of your creditors or lenders, contact your local credit bureau or local collection agencies. Call each one and explain the situation. Most creditors will be aware of the situation and will either deal with your case individually or may have an overall procedure in place for flood victims.

After every conversation get the name of the person you spoke with and write down the particulars of the conversation, including what was said. It is important to keep good notes, and keep them in separate files if possible, because you will be dealing with varied information and multiple contacts.

Get the balance due for each account and inquire about flexible payment arrangements or availability of settlement. Creditors and lenders will most likely be willing to work out an arrangement with you that will result in repayment that is possible within your financial picture.

List all amounts owed and compare against what money will be available from grants or low-rate loans, payments to be received from insurance claims, or other immediate funds. You need to keep your total budget in mind.

If possible, you may want to look at settling your accounts. If you attempt to settle on your debts, figure out the percent of the owed amount in relation to what is available to offer all creditors. If it is not possible to settle accounts, you can attempt to work out a budget to make a payment offer to each creditor.

If you would like assistance in handling the organization of your finances, contact your local credit counseling services. They will perform the basic organizational steps for you for a low cost or sliding scale fee. Payments can be made to their office and they will distribute to creditors for you.

ACCESSING CASH FROM INSURANCE CLAIM PAYMENTS

Payment on Insurance Claims

If you have flood insurance coverage, you should file your claim with your insurance agent or company. Again, if you have trouble locating your insurance agent, contact the Department of Commerce at 800-657-3602. You can also call the National Flood Insurance Hotline at 800-637-3846.

In the case of auto insurance and other property insurance, you may be able to access cash through payment of insurance claims, if the damaged property is covered by insurance. Depending on the coverage, the insurer will pay the replacement cost or actual cash value (the depreciated value), even if you have been paid by the government or a benefactor. But remember, homeowner's insurance does not cover damage from flooding.

If you experience a loss, you should report the loss as soon as possible. The notice of loss should include whatever information you may have regarding the nature and extent of the damage. You should keep a record of who you notified including the date and time. If possible, the notice should be in writing. Keep copies of receipts, estimates, correspondence and keep notes of your phone conversations. Also take photos of damaged property. The documentation of losses is important for insurance and tax purposes.

Insurance settlement checks may be required to include the name of the mortgage lender, financial institution or other creditor that has the property as collateral securing a loan. Terms of the mortgage or contract may require the insurance company to put both you and the secured creditor on the check. Contact the creditor. Explain your circumstances and ask that they process releasing the check promptly and make all, or as much as possible of the proceeds available to you.

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Auto Insurance

If you had an automobile damaged or totaled in the flood, and you had comprehensive coverage (coverage for damage “other than collision”), you will be able to recover some funds by submitting a claim to your insurance agent or company.

If your car is up to the windshield in water, it is totaled, since the electrical systems will be ruined. Your insurer will pay the market value of your auto, considering its condition and accessories, plus the value of license tags, gasoline in tank, etc.

If you did not have comprehensive coverage, but your vehicle was left at a repair shop or at another location, there may be coverage under the garage policy of another party’s insurance.

Cars, trucks, trailers and other items licensed for public road use are covered for flood damage under comprehensive coverage for physical damage.

Homeowner’s Insurance

Because homeowner’s insurance excludes flood coverage, damage resulting from flooding is not covered. Flood insurance, underwritten by the National Flood Insurance Program, is the only way to insure against loss from flooding. However, there may be a few items that are covered under homeowner’s policy in the event of flooding. Again, check your individual policy and check with your agent.

Scheduled personal property floaters and riders on items such as jewelry, fine arts, antiques, etc. may be covered on an all-risks basis for any loss, including flood.

Business property damaged in homes, such as tools, computers and salesman’s samples may be covered by business policies.

If you had purchased a rider covering back-up of sewer and water, and it was not caused by the flood, you can file a claim.

Your property insurance covers fire, theft, malicious mischief losses before or after the flood and medical payments to others injured on your property or by your activity. Read your insurance policy to see what other losses may be covered, provided they did not occur as a result of the flood.

You should explain the situation to all those involved - your agent, the insurance adjuster, and claims handlers. Although they may already be aware of the disaster situation, it may help to expedite the claims resolution process.

Commercial Property/Business Insurance

These policies may provide some flood coverage. Check your policy and with your insurance agent or company to find out if yours does.

Farm/Ranch Insurance

Flood insurance may be purchased to cover harvested crops (contents -other than household) while stored in an appropriate insured structure.

Traditional farm and ranch insurance does not cover stored grain, silage, hay or other crops against flood, whether scheduled or not. Real property (farm buildings) is also not covered against flood under farm and ranch insurance.

Farm machinery and equipment and livestock may be covered against flood under certain conditions. Equipment may be covered if you have scheduled farm personal property or blanket-unscheduled farm personal property, and livestock may be covered for drowning under “broad form” coverage. Again, check with your insurance agent or company.

Crop Insurance

Multiple Peril Crop Insurance provides protection against losses from nearly all natural disasters, including flood. Coverage is available for losses due to being unable to plant because of flooding. This insurance generally has a Spring deadline for purchase, but if you have this coverage in force and flooding affects your normal crop operations, you should report the problem to your agent. The Federal Crop Insurance Program has extended its deadline for prior year production reports.

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Obtain Insurance Premium Returns

If you have made advance premium payments on any of your property policies (auto/homeowner's/farmer's/commercial) covering property which was totally lost, you should arrange to have it returned to you or added as a credit to your account for future premiums.

ACCESSING CASH FROM OTHER ASSETS

Some of these tools for accessing funds to assist your individual rebuilding and recovery should be utilized only in cases of last resort. Depending on your financial situation, some of these options may make sense for you, while others may not. Please discuss these options with your banker, tax adviser, employer (in the case of retirement investments), insurance agent, or other financial counselor before tapping into these resources.

Lines of Credit or Checking Accounts

There are 431 state and national banks and 177 state and federal credit unions in Minnesota, as well as federal savings banks and savings associations. All of these financial institutions can be a resource during the recovery time surrounding financial hardships of a flood-related disaster.

Check with your local financial institutions to see if you can qualify for extended lines of credit, special low fee checking accounts, or other helpful programs they may be offering, such as grants or low interest loans for individuals and businesses. If you need assistance cashing a check, any area bank or credit union should offer check-cashing services.

Keep in mind that you may also qualify for low rate loans through FEMA and the SBA. The toll-free registration number is 800-462-9029.

Life Insurance Cash Values

You may want to look at taking out the cash value of your life insurance policies or borrowing against the value, if possible. Your age and the length of time you have had the policy will determine the cash value. Call your insurance agent or company to obtain your policy values and consult a financial adviser to look into the option as it relates to your financial needs.

Pensions with Hardship Provisions

If you have a 401(k) or a 403(b) retirement account, you may be able to borrow from your investment earnings, but only as a last resort. In most cases, withdrawal from these accounts before age 59 1/2 is subject to a 10 percent penalty and income tax on the amount withdrawn. However, if the master plan has a loan and/or hardship provisions, up to \$50,000 in loaned funds and up to specified amounts in the account can be accessed for cases of hardship.

To qualify, borrowers will need to provide documentation showing that they have suffered substantial financial hardship. Hardship loans are not subject to the 10 percent penalty and income tax, as are withdrawals from the plan.

Check with your employer to see whether their master plan contains a hardship provision, and in the case that it does not, inquire about amending the plan to add the loan and hardship provision retroactively. Again, consult a financial or tax adviser before using this tool. Access to pension accounts, other than 401(k)'s and 403(b)'s, is subject to other restrictions.

Investment Retirement Accounts (IRA's) and Tax-sheltered Annuities

Funds withdrawn before age 59 1/2 can only be obtained with a penalty of 10 percent and an income tax charge and it cannot be used as collateral. These plans do not have any hardship provisions. The government has not waived the penalty and income tax charges on these withdrawals. This option would not be advantageous for most individuals as a way to obtain cash.

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TAKING PRECAUTIONS

Unfortunately, disaster situations sometimes attract dishonest people attempting to exploit those who need help quickly. When entering into a contract with anyone who provides a service or product to help your rebuilding and recovery efforts, always check them out.

Never pay anyone with out-of-pocket cash and be wary of paying large sums up front before a project is complete.

Ask for references and call them. Keep good records of any contracts or business transactions with every business agreement you enter into.

Building Contractors and Remodelers

Before signing a contract with a building contractor or clean-up/fix-up people, screen them properly. First, ask them to provide a copy of proof of licensure, certificates of liability and workers' compensation insurance coverage, and proof of bond for your records. You should also call the Department of Commerce at 800-657-3978 to make sure they are licensed. It is also a good idea to ask a claims adjuster or local building official to recommend a contractor to you.

Insurance Claims Adjusters

With regard to insurance claims settlement, a company adjuster or their licensed representative will contact and work with you on your claim. You may be contacted by a licensed public adjuster, who may offer to assist you, but will require a commission or payment. If you decide to work with a public adjuster, call the Department of Commerce at 800-657-3978 to check if they are licensed. You may also hire a private attorney, but you will be responsible to pay any legal fees. In any case, if you notice something unusual in the adjustment of your claim, immediately report any potential fraud or wrongdoing to the Department of Commerce enforcement division at 800-657-3602.

IMPORTANT PHONE NUMBERS

FEMA Registration for Disaster Relief
800-462-9029.

National Flood Insurance Program (NFIP)
800-637-3846

MN Department of Commerce Flood Hotline
800-657-3602

MN Department of Commerce Licensing Information
800-657-3978

IRS - Federal Records
800-829-1040

MN Dept. of Revenue - State Records
800-652-9094