



HOME OWNERSHIP ISSUES AFTER A NATURAL DISASTER



If your home is damaged and you still have a mortgage on your home, you should check with your mortgage service provider as soon as you can to learn what options are available to you including whether you can get a temporary forbearance on making payments. Many area banks have expressed a willingness to work with affected homeowners.

Mortgage help from FEMA may be available if you face foreclosure proceedings and your home has been seriously damaged so that you cannot live there.

FEMA operates a Disaster Housing Program to help homeowners who have been forced out of their homes by disasters. Assistance can include grants for temporary housing and home repairs, low-cost loans to cover uninsured property losses, and other programs to help individuals recover. Call the FEMA Disaster Helpline at 1-800-621-FEMA or visit <http://www.disasterassistance.gov/>.

You may be eligible for loans from the Small Business Administration (SBA) to make necessary repairs. The SBA makes low interest loans of up to \$200,000 to homeowners to repair or replace damaged or destroyed real estate. You do not have to be a small business owner to qualify.

If you have a mortgage insured by the FHA (HUD) or the VA, you may have additional protections, like forbearance on the mortgage payments or a period of suspended payments. Call 1-888-297-8685 for further information.

Avoiding Home Equity Scams

Be very careful that you do not lose your home, the equity in your home, or possibly additional money by borrowing from unscrupulous lenders offering high-cost loans tied to home equity. If you are considering taking out a home equity loan, be on the lookout for:

LOAN FLIPPING: This occurs when the lender encourages you to repeatedly refinance the loan and often, to borrow more money than you need. Each time you refinance, you pay additional fees and points. These fees and costs only serve to increase your debt.

INSURANCE PACKING: This occurs when the lender adds credit insurance or other insurance products to your loan, which you may not need and are not required to take out the loan.

BAIT AND SWITCH: This occurs when the lender offers one set of loan terms when you apply, then pressures you to accept higher and less favorable terms when you sign to complete the transaction.

EQUITY STRIPPING: This occurs when the lender gives you a loan based on the equity in your home, not on your ability to repay based on your income. If you cannot make the payments, you could end up losing your home.

NON-TRADITIONAL PRODUCTS: Many lenders offer loans offering a minimum payment that does not cover the principal and interest due, causing your loan balance and eventually your monthly payments to increase. Also, many of these loans have variable interest rates, causing your monthly payment to increase further if interest rates rise.

Additional Tips

If you are thinking about using your home as collateral for a loan, be careful. Unless you can make the loan payments out of current income, you could lose your home as well as the equity you have already built up. Some additional tips to remember:

- The lure of extra money or the chance to reduce monthly credit payments can be very costly in the long run.
- High interest rates and other credit costs may get you in over your head.
- Insurance products may not be a good deal from your lender. If you want the added security of insurance, shop around and get quotes from licensed professionals.
- Ask for a written estimate of all costs when you apply for a loan and do not sign a loan agreement if the terms are not the same as when you first applied.
- Ask for an explanation of any dollar amount, term, or condition that you do not understand.
- Get all promises in writing.
- Take the time to shop around for the best loan terms and interest rates. Contact lending institutions, such as banks and credit unions, and consult a legal or financial advisor, or someone you can trust before you make any loan decisions. You may consider contacting your local Fair Housing office, legal aid, or senior services organization for information and help.

Dos and Don'ts

DON'T

- Agree to a home equity loan if you do not have enough income to make the monthly payments.
- Sign any document you have not read or any document that has blank spaces to be filled in after you sign.
- Let anyone pressure you into signing any document.
- Agree to a loan that includes credit insurance or extra products you do not want or need.
- Let the promise of extra cash or lower monthly payments get in the way of your good judgment about whether the cost you will incur for the loan is really worth it.
- Deed your property to anyone else. First consult an attorney, a knowledgeable family member, or someone else you trust.

DO

- Ask specifically if credit insurance is required as a condition of the loan. If it is not, and a charge is included in your loan and you do not want the insurance, ask that the charge be removed from the loan documents. If you want the added security of credit insurance, shop around for the best rates.
- Keep careful records of what you have paid, including billing statements and canceled checks.
- Challenge any charge you think is inaccurate.
- Check contractors' references when it is time to have work done in your home. Get more than one estimate. For more information on contractors, see <http://www.tn.gov/attorneygeneral/cpro/pdf/homerepairguidelines.pdf>.
- Read all items carefully. If you need an explanation of any terms or conditions, talk to someone you can trust, such as a knowledgeable family member or an attorney. Consider all the costs of financing before you agree to a loan.

The Tennessee Attorney General's Office and the Division of Consumer Affairs work to prevent unfair and deceptive business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get more information on consumer issues, contact the Tennessee Division of Consumer Affairs • 500 James Robertson Pkwy • Nashville, TN 37243-0600 • Telephone 615-741-4737 • 800-342-8385 • Fax 615-532-4994 • or file a complaint online at: <http://tn.gov/consumer/complaint.shtml#> For other disaster-related tips, visit <http://www.tn.gov/attorneygeneral/cpro/flood.htm>.