

Disaster Preparedness: Natural Disasters and Mortgages

When natural disaster strikes, know how it may affect mortgages

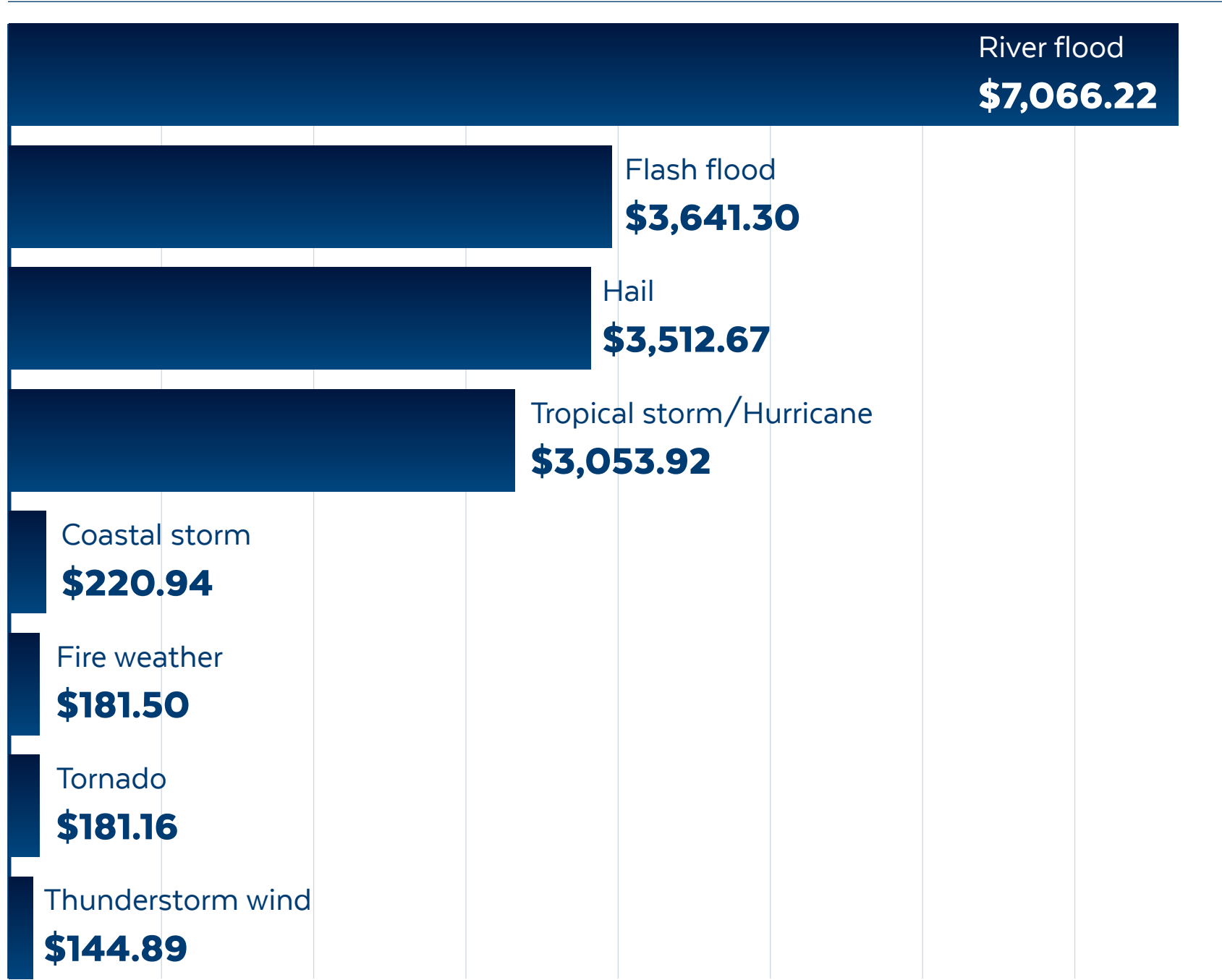


It's never fun to think about, but the reality is that disaster can—and does—strike. And when it does, that can often mean homes are destroyed. Lenders and servicers should be aware that this is a hard time for homeowners: emotionally, physically and economically. While natural disasters are beyond anyone's control, preparedness goes a long way when it comes to knowing how these events may affect owners and their mortgages.

Damage done

While raging hurricanes and wandering wildfires often grab headlines, disasters can take many forms.

Property Damage (in Millions) by Weather Events in 2016¹



In 2017, the Federal Emergency Management Agency (FEMA) declared **97 disasters** affecting **31 states** and two territories.²

What risk means for homes

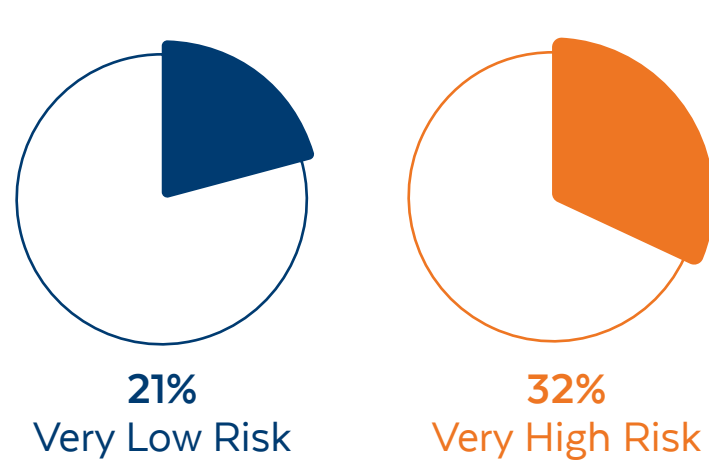
689 U.S. cities, including 13,898,721 single-family homes or condos, are located in a “very high” risk area for a natural hazard event.³

In the top 20 percent of cities with the **highest** risk for a natural disaster, home prices have increased more than twice as fast as those homes in the **lowest** 20 percent in the last 5 years.³

January-June 2017 Median Sales Prices³:



Average Home Equity Comparison³:



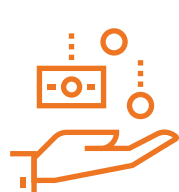
What to know when disaster strikes



In the event of a potential disaster, some of the primary questions for lenders include:

- Is a property at risk for damage during the application process?
- Is an applicant's income or employment status likely to be impacted?
- Was appraisal completed before the disaster, and how might the value of the property be affected?

In areas where FEMA has declared a disaster, a disaster area inspection report (DAIR) is required for recently appraised properties.



In FEMA major disaster areas, mortgage companies may be authorized to⁴:

- Suspend mortgage payments for up to 12 months
- Waive late fees or penalties
- Suspend delinquency reports to the major credit bureaus



Types of available federal aid include:

- Small Business Administration (SBA) loans for home repairs or property replacement
- FEMA grants for non-insured basic home repairs, temporary rent assistance and disaster-related medical or child care
- Federal Housing Administration (FHA) 203(h) program to insure mortgages to disaster victims who are trying to rebuild or purchase a new home

After a disaster, communication is key. Homeowners and lenders should be in contact as soon as possible after disaster events so that both parties know the best steps to take to assist in rebuilding and fulfilling mortgage terms.



¹ “Summary of Natural Hazard Statistics for 2016 in the United States,” May 11, 2017, National Weather Service

² “Reduce Risk Associated with Disasters,” Oct. 4, 2017, National Mortgage News

³ “Home Prices Rising Twice as Fast in U.S. Cities with Highest Natural Hazard Risk Than in Lowest-Risk Cities,” Sep. 19, 2017, Attom Data Solutions

⁴ “Mortgage Assistance for Those Impacted by Recent Natural Disasters,” Freddie Mac

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