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Part 1 How to advocate for your Forced Mortgage Payoff duplication of benefits waiver.

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When your home was demolished after being condemned by the state and the state refuses to allow you a waiver from DOB and your bank servicer used your homes insurance to pay off the remaining balance of your home you find you have no resources to repair.

Part 1 of infinity: Your guide to advocating for your "Forced Mortgage Payoff" with your state using current policy, guidance related to the program you are seeking disaster relief from.

Because I live in Louisiana I'll be using 3 years of researching the state of Louisiana and offer you the same information that others have used to be successful at removing the NFIP (Flood Insurance) DOB from your HUD CDBG-DR Grant Calculations.

Background: June 24, 2011 resource: 1980-083.

"Some applicants may receive insurance proceeds and their bank or mortgage holder may require the total mortgage be paid in full. This is known as a forced payoff, possibly leaving the applicant with an unmet need or unable to repair their home."

Above is a snip from the 2011 resource that the state actually follows. The state of Louisiana has followed this FEMA policy since Katrina. The state of Louisiana requires the words "Forced Mortgage Payoff" to be in the letter. But, it has been documented that some homeowners were not required to have the words, "Forced Mortgage Payoff" and were only required to provide proof that the homeowner was not in control of the NFIP Insurance money. This is where our states issue begins and your required effort to get this forced mortgage payoff waiver so your flood insurance is not counted as a Duplication of Benefits (DOB).

"The applicant would need to submit a letter from either the lender or insurer advising that the payoff was required and not optional."

In the FEMA resource FEMA is requiring the applicant to provide a letter from the mortgage servicer. This is not a banking industry policy nor do banks have to provide such a letter even when asked. The banks will follow their policies regarding a mortgage payoff with insurance funds. This may be a simple phone conversation where a call center support agent acting on behalf of the mortgage holder which an be any number of companies or federal loans secured by Fannie Mae, Freddie Mac, FHA, USDA, etc.

We have [published sample letters] that were collected over the years from different mortgage servicers. We have found some banks refuse to provide "Forced Mortgage Payoff" letters and refused to put on their letterhead that they will not provide any such letter. At this point the homeowner has to research who actually holds the mortgage and research what federal policies their mortgage lender follows.

On the front line, the call center, the mortgage center you call for information about your mortgage as a "Standard Operating Procedure" (SOP) and specific training for disaster mortgage payoffs. Your call center representative (servicer) will not offer to send you a copy of their SOP. They will be very nice with you and work their wording to make you feel as if they are working in your best interest.

When you received your NFIP Flood Insurance Check from your NFIP broker you were instructed to sign the check then forward it to your mortgage holder for their signature. It's at this point you lost all control, a 2-party check which you had to sign first and send to your bank. Your bank at this point had options. Your bank was sent a copy of the damage report, they know the condition of your home. If not, they would have sent someone out to inspect your home. It's at this point the bank puts in motion the act of paying off your mortgage or working with you to reconstruct or repair your home.

Let's say you had a mortgage of $150,000 and your flood insurance was for $100,000. Your home was determined by FEMA as Substantially Damaged and your local municipal agreed and condemned your home. You now are required to reconstruct the home after you demolish your home. Even if it was not substantially damaged and you were not condemned the servicer of your mortgage could evaluate the market value of your home and make the determination that it would be a risk to allow the mortgage to remain on the home. One risk title is called, "A risk of ownership change." This means the mortgage servicer determines the loan that was secured by the structure is at risk of ownership changing meaning it could default and the lender would be the new owner. At this point, according to policies the bank could enact it's force mortgage payoff policy which actually isn't called "Forced Mortgage Payoff" it might be called "At Risk of Ownership Change".

The servicer is trained to not go to the level of At Risk of Ownership Change because it would require the lender to follow basic federal banking policies. So the servicers of your loan work with you by letter, email and by phone to get you to agree the best method and best approach is to simply pay off your mortgage with the insurance. The servicer never actually informs homeowners that once this is done the home value, the structure or lack of if you demolished the home has no credit or security value. You now can get a new loan for a new construction if your credit is good and you have assists to secure the loan like a builder that will take all financial responsibility until the new home is completely built so a lender could then offer a full mortgage on the market value less their quick sale calculations.

There are more paths the banks can take that I'll not get into at this time in this first post. But I will explain why this policy by FEMA is so widely used by state governments.

FEMA and the SBA work in concert together and this was what our US Congress strengthened when the NFIP was technically bankrupted. FEMA's policy is to have homeowners apply for repair loans so they can cover the debt burden of the disaster recovery and not the American Taxpayers. This method of thinking was to allow those that wanted to recovery quickly an option to secure loans from the SBA that were secured by federal tax dollars to the lenders. Most of your lenders are the same lenders that would have offered you a mortgage. It's a matter of trust, after a disaster, the banking industry typically doesn't jump in to help by lending people money to recover from a disaster. The banks sit back waiting for someone to say "Your investment is secured by the Federal Government 100%." otherwise the banks offer those that have perfect credit, collateral and income. ([List of SBA loan lenders top 100])

Let's recap, after your disaster your home is inspected. If your home is 50% or more damaged you may have to

servicer of our mortgage applied our NFIP funds to the unpaid balance of our mortgage.

I would like to point out that APA 12 and the Louisiana Homeowners Assistance Manual both refer to an old out of date FEMA policy that was designed to work in concert with SBA disaster loans. The FEMA policy does not follow the same proof of legal control as published in HUD Guidance June 20, 2019 (FR-6169-N-02).

Would you please advise on the proper method of contesting the states policy using FEMA's "Forced Mortgage Payoff" letter approach. I am prepared to provide an affidavit attesting to when I lost control of our NFIP Insurance proceeds.

Thank you,
[Full Name]
[Full Address]
[Telephone Number]

Account Information:
[Account Number]
[Case Worker Name: Case Work: John Doe]
[CTA Name]

----------------END EMAIL ---------------------

This is your first step. In Part 2 of infinity you will file a HUD OIG report about how your state is handling a mortgage payoff.

Don't wait for the morning, evening or afternoon to send this email. Send it now from your registered account email address.

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