

Dealing With Disaster: The Financial Issues

California families have had to face several natural disasters recently. If you find yourself trying to put your life back in order after a disaster and you don't feel you are in a state of mind to make sound decisions then Dr. Karen Varcoe, Consumer Economics Specialist with the University of California Cooperative Extension suggests, "you ask a friend, family member, or professional consultant to assist you." She explains, "The decisions you make today can have a great impact on your family's financial future."

If your home has sustained damage, one of the most important things you will need to do is to select a competent contractor to make repairs. Keep these key points in mind.

- Use only licensed contractors. Unlicensed contractors are not regulated by the government and may not have the skill necessary to repair damages properly. In addition, your options are limited if you use unlicensed contractors and are not satisfied with their performance.
- Verify the status of the contractor's license with your local Contractors State License Board. The telephone number for the Contractor's Board office in your area can be found in the white pages of your phone book under "Consumer Complaints and Protection Coordinators." Or you can call their state headquarters at 1-800-321-2752 or their disaster hotline at 1-800-962-1125.
- You should get at least two or three estimates for each repair job and compare both prices and terms.
- Ask the contractor for references from former customers and check them out. You can also check with the local Better Business Bureau to learn about the company's reputation before you authorize any work.
- California law limits the down payment for home repair work to \$1,000 or 10 percent of the total price, whichever is less.
- Pay with a check or money order—never with cash. Arrange to make payments in installments, one-third at the beginning of the job, one-third when the work is nearly completed and one-third after the job is done.
- Before work begins, sign a contract which outlines all conditions of the work including time and payment schedules, work to be completed, material to be provided, and other items important to the project. Make sure you get all promises in writing; oral contracts are very difficult to enforce. For major projects, you may want to have an attorney review the contract before you sign.
- Remember you are protected by a three-day cancellation period for home repair contracts, but make sure your request to cancel is done in writing.
- Don't allow yourself to be pressured into hiring a contractor with whom you don't feel comfortable. Take your time and find a contractor with a good reputation and with whom you feel comfortable. You will live with the work done by that contractor for a long time to come.

Dealing With Disaster: Be Watchful of Con Artists

“After a disaster con artists will be busy at work looking for ways to take advantage of your suffering and confusion,” warns Dr. Karen Varcoe, Consumer Economics Specialist with the University of California Cooperative Extension. “Be wary of any individual or firm with whom you are not familiar.”

Thieves may try posing as building inspectors, or utility company employees. Legitimate inspectors are required to carry identification issued by the appropriate agency and will show it upon demand. If you don't know what the ID should look like, contact the Department of Public Works or the Department of Building Inspectors listed in the government pages of your telephone directory for information. Thieves often pose as utility repair persons, or building inspectors, and wait until they are alone in a room and steal whatever they find.

If you need help completing a loan application or arranging for a loan, it is best to contact the institution lending you money for assistance. Banks and savings and loans are generally pleased to be able to help. In addition, the Small Business Administration is willing to help consumers depending on the type of loan requested. Refuse assistance from any individual or company who wants to charge you a fee to fill out an application or arrange for a loan.

Be cautious when giving to charities collecting for a recent disaster. While we all want to help those in need, be sure the charity you are giving to is legitimate. Any charitable organization that solicits money from the public must be registered with the State Registry of Charitable Trusts. Verify the charity's authenticity by calling (916) 445-2021 or your local Better Business Bureau before you give money.

Lastly, it is important to file a claim with your insurance company even if you think it will be denied. Not filing may prevent you from receiving Federal Emergency Management Agency (FEMA) funds. In some cases, disaster victims find that while they do not have insurance coverage for the disaster they experienced, such as earthquake or flood, other policies they do have may cover a portion of their losses.

Dealing With Disaster: Prepare for the Future

“If your family hasn’t already prepared for possible future disaster,” explains Dr. Karen Varcoe, Consumer Economics Specialist with the University of California Cooperative Extension, “now is the time to start. After you have put together an emergency supply kit and established an escape route, take a little time to prepare for the financial losses you may suffer in the event of a major disaster.” She emphasizes, “The key to surviving the financial difficulties associated with a disaster is planning ahead.”

Take these steps before a disaster strikes:

Establish an emergency fund. You will need funds to cover any deductibles or co-payments required by your insurance policies (home, health, auto). You also will need funds to cover small uninsured losses, as well as cash to get by on in the event your local financial institution has sustained damage.

Review and update your insurance coverage. Carefully read each insurance policy so that you know what and how much is covered by each. If you have any questions, now is the time to ask. Purchase any additional insurance needed. Flood insurance can be purchased through the National Flood Insurance Program at 1-800-638-6620. Be advised, there is usually a waiting period before it takes effect, so don’t delay too long in applying for coverage.

Keep your home properly maintained. Keeping up on maintenance around the house, such as strapping-down your water heater, fastening your furniture to the wall, and repairing fences, can reduce the amount of damage you experience in the event of an earthquake. Taking time now to check on the condition of your roof; inspect and clean rain gutters and downspouts; and inspect your property for areas where erosion is possible, will help if we experience heavy rains. Clearing brush from around your home and making sure tree branches don’t hang over your roof can lessen fire danger.

Update your records. Take an inventory of your personal property, preferably including photos or a video tape of your possessions. Keep your records in a safe place where they can be easily reached if disaster strikes. Good records can greatly simplify reaching a settlement with your insurance company.

Your family’s financial future is important – protect it!