

Tips for Homeowners About to Be Renters After a Disaster

Homeowners displaced after a disaster such as a fire, flood, or hurricane may find themselves in the market for a rental.

Owning a home is supposed to provide stability, but a major disaster such as an earthquake, fire, or flood can send many homeowners in search of temporary living quarters. As families who may not have been renters for many years suddenly find themselves in the market for an apartment, condo, or other rental property, here's what they need to keep in mind.

1. Get an Advance From Your Insurance Company

Your homeowners' insurance policy most likely includes coverage for "loss of use." That means that you're entitled to living expenses, including housing costs, that exceed your normal, everyday expenses. You're within your rights to ask your insurer to send you an advance on those expenses.

If your house just needs some relatively quick repairs in order to be livable again, the insurer will pay for a hotel stay. If this is not the case, you're going to need a large chunk of cash to cover not only your first month's rent, but also a security deposit. (In California, for example, this can be up to twice the monthly rent, or three times the monthly rent for a furnished rental.) If you rent an unfurnished home, you'll need money for furnishings, too.

Most policies place a dollar or time limit on your loss of use coverage, to pressure you into acting quickly to get your home repaired or replaced. Think twice before you sign any long leases!

Will Your Insurance Cover the Rent?

"Loss of use" coverage will reimburse you for your *additional* living expenses those that exceed what you normally spend to live in your house. Your normal expenses include taxes, the mortgage, insurance, and upkeep. Even if your home has been completely destroyed, you still must pay your taxes, insurance, and the mortgage. Because the upkeep costs are the only ones you no longer face, this amount is the only one your insurance company should use as an offset when reimbursing you for your monthly rent. For example, if your maintenance costs were \$500 per month and your monthly rent will be \$2,500, you'd be within your rights to expect your insurance to cover \$2,000 per month. Your insurance will also, however, reimburse you for other added expenses of everyday living, such as laundromat charges, storage facility fees, and restaurant tabs (depending on your situation).

2. Look for an Appropriate Rental

Your insurance company will pay for a rental that closely approximates the home you can no longer occupy. This means that if you lived in a simple one-bedroom in a modest neighborhood, you shouldn't set your sights on a lavish condo or four-bedroom mansion.

Call your insurance agent and work out an understanding of the reimbursement you can expect (confirm any conversations in writing or by email). Of course, the reality of the situation may be that only higher-end rentals will be available, in which case you shouldn't have to pay out of pocket. Or, if you're dissatisfied with what's in your price range, you may decide to kick in some money of your own to rent a suitable place. Whatever you do, don't head into a rental search until you understand how much you can expect from your insurance company.

3. Get Ready to Market Yourself

Your local rental market may have been tight before the disaster, but it can only get worse afterward, as you compete with others in equally desperate straits. For example, in San Diego County before the October 2007 fires, the vacancy rate was only a mere 2.58%, and displaced homeowners made that market even tighter.

Knowing that you'll be competing for a scarce resource, prepare now to make yourself the best candidate. Landlords may be sympathetic to your plight, but they'll be protective of their own business interests, too, and looking for the prospect most likely to pay the rent and be a conscientious and considerate tenant. Follow the specific tips below to make yourself stand out.

4. Assemble a Renter's Kit

Pull together and bring with you key documents that will establish your qualifications on the spot, such as:

- **Proof of support from your insurance company.** Get a letter from your agent attesting to your situation as a burned-out homeowner. Make sure it includes a statement that your coverage will include rent reimbursement for an alternate place to live.
- **Credit report.** To show that you aren't so strapped that you're likely to use insurance money for other expenditures, bring a copy of your credit report. You can get a free copy of your report once a year from all three of the major credit reporting agencies at www.annualcreditreport.com.
- **Proof of employment.** Landlords normally want to make sure you make enough money (generally three times the rent) to afford the place. Get a letter from your employer, on letterhead, attesting to your employment and salary or hourly wage. Ask your employer to offer information on your good qualities as an employee (many of those, such as punctuality and ability to get along with coworkers, translate directly into "good tenant" qualities).
- **Proof of income.** Many displaced homeowners are self-employed and won't be able to bring a letter from a job. Instead, you can show that you make sufficient income by using a copy of your last tax returns. Contact your accountant or tax preparer if you no longer have those returns (they should have a copy). If you had a home-based business, you may need to provide additional explanation of how you'll continue to work.

5. Watch Out for Price Gouging

Many states forbid businesses from unfairly profiting from calamities, by preventing unreasonable price increases following the disaster. For example, California makes it a misdemeanor (punishable by a fine of up to \$10,000, a year in jail, or both) to charge a price that exceeds, by more than 10%, the price of an item before a declaration of emergency. (California Penal Code section 396.) The law applies to those who sell food, emergency supplies, medical supplies, building materials, and gas. It also applies to repair services, transportation, freight and storage services, and housing and hotel accommodations.

For tenants seeking rentals in emergency areas in California (even those who aren't doing so as the result of the emergency), this means that no landlord may increase the price of a vacant unit more than 10% of the rent that existed before the emergency was declared. For example, the landlord can't bump up the rent on a \$2,000 unit to more than \$2,200. To check for any such price jumps, ask the landlord, check the newspaper (the online version may not have been updated), or ask neighbors.

If you discover a rent-gouging landlord who won't trim the rent to a legal level, consider filing a complaint with your local prosecutor's office or with the statewide attorney general. In California, tenants can fill out an online form at the Attorney General's website. Go to <http://ag.ca.gov> and type "public inquiry unit" into the search box.

6. Know What You're Signing: A Lease or a Month-to-Month Rental Agreement

Once you've found a suitable rental, you'll want to sign a lease or rental agreement (oral understandings are legally enforceable but unwise, because they're hard to prove if there's a disagreement). Here's the difference between the two, and why it matters:

- A rental agreement runs from month to month, and self-renews until the landlord or tenant terminates it, with proper notice (in most states, 30 days). The landlord can also increase the rent with proper notice. The ability to leave on 30 days' notice makes the rental agreement flexible, but also exposes you to a rent hike (or termination) by the landlord.
- A lease is for a specific period of time, typically a year, during which time the rent can't be increased. You also can't be told to leave unless you've done something wrong, such as not paying the rent. You pay a price for this stability: should you decide to leave, you'll still be responsible for the balance of the rent. In most states, if you break your lease early the landlord must take reasonable steps to rerent and offset your rent liability with the new rent.

As best you can, consider which arrangement is better for you (assuming the landlord gives you a choice). Keep in mind that rebuilding a house can easily take several months, especially with architects and contractors suddenly in short supply. If the market is tight and you think it will continue to be so, you might benefit from a lease, knowing that the rent will be locked in and that if you leave, the landlord won't have much trouble finding a replacement tenant. However, know that the rent-gouging law referred to above covers only tenancies that run month to month, not leases.

7. Brush Up on Your Knowledge of Fair Housing Laws

Housing law has changed greatly over the past 20 or even ten years; among the many advances are fair housing laws that protect all applicants from discrimination on the basis of familial status (families with children), disability, and gender.

You may need to call upon fair housing law if, for example, you encounter a landlord who has set an overly restrictive occupancy limit, perhaps trying to keep out families. In general, landlords must allow two persons per bedroom (in California, the rule is "two per bedroom plus one"). If your family of three is willing to live in a one-bedroom apartment, the landlord is on thin ice by declaring it's too small.

8. Know Your Rights as a Renter

The landlord's major responsibility is to provide and maintain a safe and habitable home. This means that if the roof leaks, the toilet doesn't work, or the hot water is scalding, you're entitled to repairs. Other important tenant rights include the right to a rental that's reasonably secure from criminal intrusion, and the right to privacy (many states limit the reasons, and time, a landlord may enter your home, and set specific notice periods). Especially if you'll be a renter for a substantial period of time, you'd be well advised to learn the rules (see "Resources," below).

9. Make Sure Your Leave-Taking Will Be Smooth

You'll be leaving this rental when your home is rebuilt, repaired, or you choose another. Make sure you're in line to get that security deposit back and leave with no lingering hassles with the landlord. You're expected to return the rental in the same condition as when you rented it, normal wear and tear excepted. If you damage the property, the landlord can deduct from the security deposit for repairs.

10. Get Renter's Insurance

While you're a renter, you need to protect the items that you're purchasing to get on with your life. Talk to your insurance agent about adding a renters' policy to your existing homeowners' policy (it shouldn't cost much).

Resources for Renters

While you're a renter, make sure you understand your rights and your responsibilities. Check out these resources from Nolo:

- *California Tenants' Rights*, by attorneys Janet Portman and David Brown, explaining the law to California renters.
- *Every Tenant's Legal Guide*, by attorney Janet Portman and Marcia Stewart, which covers the law in all 50 states.
- *Renters' Rights*, by attorney Janet Portman and Marcia Stewart, a shortened version of *Every Tenant's Legal Guide*, geared for use by tenants in every state.

Source: AnthemEAP.com (Login SISC) - Legal Centers – Renters Rights