



La. attorney general probes insurance check issues

By Kathy Chu, USA TODAY

Louisiana Attorney General Charles Foti announced an investigation Thursday into whether mortgage lenders are withholding insurance checks from people whose homes were damaged by this year's deadly hurricanes.

Four months after Hurricane Katrina tore through the Gulf Coast, "people are still fighting the insurance company for settlement, and once they get it, they have another fight with the mortgage company to release it in a timely manner," Foti says.

The concern is that that hurricane victims are being forced to dip into savings or borrow money to repair damaged homes covered by insurance.

In Louisiana, 217,000 homes were destroyed by hurricanes Katrina and Rita — three times more than in any other state.

Insurance checks for damaged homes are typically made out to the homeowner and the mortgage company that provided the loan.

Mortgage companies could refuse to release the entire amount at one time, or dole out the funds in phases, as the home is repaired.

Lenders "have a security interest in that home and want to make sure that the proceeds from the insurance company are used to rebuild the home," says Peter Gwaltney, chief executive of the Louisiana Bankers Association.

Foti has subpoenaed information from one lender, Countrywide Financial, about its practices.

Countrywide, in a written statement, says that the high volume of insurance checks "created unfortunate and unusual delays in the distribution of payments to some of our customers for a period of several weeks."

The company has changed its systems to process checks in seven to 10 business days.

The attorney general is also concerned that mortgage lenders are charging homeowners "exorbitant" fees when insurance money is used to pay off mortgages early.

Separately, the Louisiana Office of Financial Institutions is dealing with 270 mortgage-related complaints after this year's hurricanes.

Many complaints are due to demands by lenders that borrowers make up to four mortgage payments at once — or face foreclosure of their home.

Some of these payment notices were automatically generated by computers after a 90-day grace period on mortgage payments ended, says Darin Domingue, deputy chief examiner at the Louisiana Office of Financial Institutions.

Lenders temporarily eased payment requirements and waived late fees after hurricanes Katrina, Rita and Wilma.

But the notices don't mean that lenders will not work with borrowers who cannot pay, Domingue says.