



# Homeowner's Guide to Prepare Financially for Earthquakes

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FEMA



# I'm a Homeowner. What Happens When There's an Earthquake?

Earthquakes where you live can cause significant damage and affect you in many ways.

## Potential Consequences of an Earthquake



### Home Damage

If your house is damaged, YOU will need to pay for repairs. Also, you might have to leave and find temporary housing.



### Injury

A home doesn't have to collapse for you to be injured. Falling objects and broken glass create a dangerous environment.



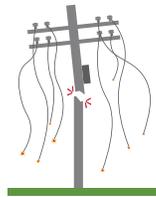
### Loss of Income

You may get fewer work hours and a lower-than-usual paycheck, so you might need other funds to pay your mortgage and living expenses.



### Damaged Possessions

TVs tip over, dishes break, and hanging decorations fall off the walls.



### Affected Utilities

If the power, internet, gas, and water go out, you will not be able to go about your daily routines.



### Compromised Infrastructure

Roads and public transportation may not be operating as usual following an earthquake.

## How Will I Pay For My Recovery?

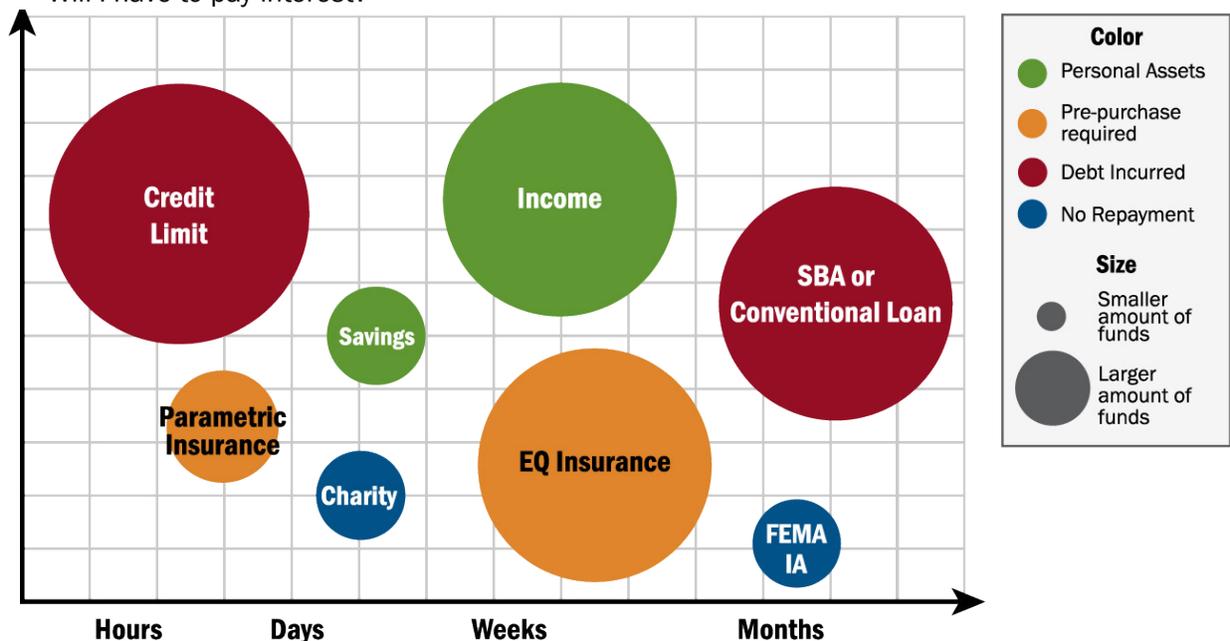
<p><b>Respond</b> After an earthquake, you may need money quickly to pay for medical expenses, temporary housing, food, and other basics. The speed required makes cash, income, savings, and credit cards the most likely sources.</p>	<p><b>Recover</b> At this stage, you'll be repairing damage or rebuilding your home. You may need to live in temporary rental housing. Earthquake insurance can help cover the cost of your rental but the mortgage still has to be paid. You might also be eligible for some disaster assistance, such as SBA loans and FEMA Individual Assistance grants.</p>	<p><b>Move Forward</b> Ultimately, you'll shift from taking care of your immediate needs to rebuilding your home and life. This depends on your financial situation and the extent of the damage. For example, you must continue to pay your mortgage and pay back any loans or credit card charges. You may also need to rebuild your credit score.</p>
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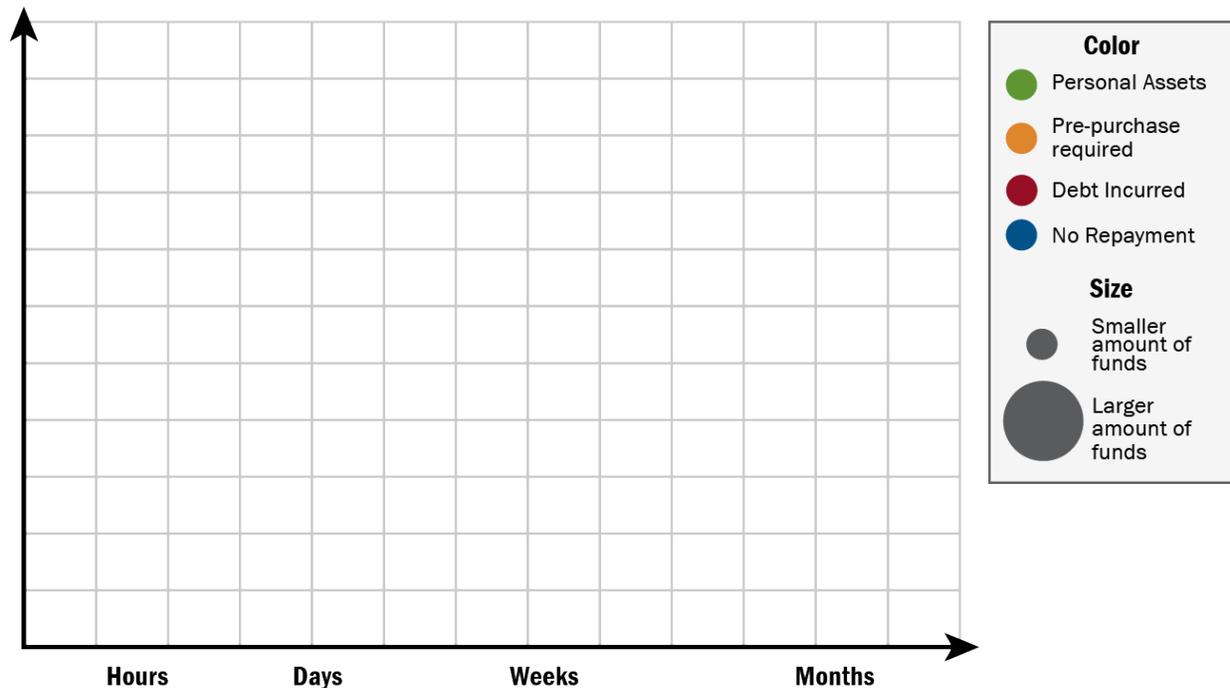
## Your Financial Options

When picturing the financial tools that you think you'll use to recover from an earthquake, be realistic. First ask yourself:

- How much will it cost to rebuild my house?
  - Meanwhile, what is the combined cost of my mortgage payments and temporary housing?
- How much money could I get from each option?
- How long will I likely have to wait to get the money?
- How much do I have to pay back?
- Will I have to pay interest?



DIRECTIONS: Using the blank graph below, sketch in what you think your bubbles might look like.



**Personal Assets**



- **Savings:** Your personal savings and investments. These funds are typically quick to access.
- **Income:** Money that you receive on a monthly or bi-monthly basis from employment. This could also include government benefits or a pension. Depending on the timing of a disaster, your next paycheck could be weeks away, so these funds are less accessible than savings.
- **Emergency cash:** To the extent you can, it's a good idea to keep some emergency cash in small bills (\$1, \$5 & \$10), because if power is out, ATMs and cash registers will not work. If you have exact change, it will be easier to pay for emergency supplies.
- **Check out these helpful links to learn more:**
  - [Your Disaster Checklist](#)
  - [Emergency Financial First Aid Kit](#)
  - [Low and No Cost Preparedness](#)
  - [CFPB's Guide to Building an Emergency Fund](#)

## Insurance



- **Earthquake Insurance:** Available either as an add-on to your homeowners policy or as a separate policy. Earthquake policies can usually provide more money for your recovery than most other options, and a homeowners earthquake insurance policy typically provides coverage not only for damage to your belongings and your house, but also for “loss of use” of your living space. Most earthquake policies have a deductible.

Earthquake Insurance deductibles are typically 10-20% of your structure coverage limit. You'll be responsible for paying more out of pocket to repair damage.

- Ask your agent how the deductible works so you'll know what to expect from your insurance.
- Ask your insurance agent what is covered and what is excluded.
- **If you live in a condominium, mobile home, or manufactured home the coverage options will likely differ. If you live in a condominium:**
  - Bring the master policy when you talk to an insurance agent to make sure there are no gaps in your coverage.
  - Ask your agent how much “loss assessment” coverage you may need.

In Puerto Rico, risk insurance is part of requirements for bank loans. This DOES cover earthquakes.

**Parametric Earthquake Insurance:** This MAY be an option, depending on where you live (check with your state insurance department). It pays a fixed amount of money when an earthquake occurs that meets the policy's criteria (“parameters”). Because there is no claims adjustment process, you'll receive the payment quickly. It typically isn't large enough to cover big expenses, but you are free to use it for any of your recovery needs.

### Check out these helpful links to learn more:

- [A New Option for Disaster Insurance: Parametric](#)
- [Do You Need Earthquake Insurance?](#)
- [Insure Against Earthquakes](#)

## Disaster Assistance



- **FEMA Individual Assistance (IA): MAY be available to you.** FEMA's Individual Assistance program grants people money to help recover after a presidentially declared disaster. The need and availability of funding determine eligibility. These funds are not guaranteed and may only be a portion of what you need to recover fully.
- **Non-Profits and Charity:** Charitable organizations may provide assistance during a disaster. Services could include food, medical aid, and temporary shelter. However, availability is not guaranteed, and a large disaster has a good chance of overwhelming their capacity.

### Check out these helpful links to learn more:

- [Disaster Assistance](#)
- [Eligibility Criteria for FEMA Assistance](#)
- [Individuals and Households Program](#)
- [Programs to Support Disaster Survivors](#)

## Borrowing Money to Pay for Recovery



- **Credit Cards:** For smaller expenses, these offer a line of credit that is instantly accessible, but the availability and size will depend on your credit score, your credit limits before a disaster, and your interest rate. Repayment of credit card debt is required monthly, so their usefulness depends on your income level. Incurring expensive credit card debt could put you in a precarious financial situation.

**What To Do About Your Mortgage Payment:** When a disaster happens, in addition to contacting your insurance agent, you should contact your mortgage lender. It's wise to let your financial institution know about your loss. They may have options to help you meet financial obligations without incurring penalties or affecting your credit score.

- **Conventional Loan:** A home equity line of credit can provide funds to pay for repairs and other expenses. Talk to your bank or mortgage company for information about this possibility. Your bank may be able to provide a construction loan.
- **Disaster Loans:** When available [Small Business Administration \(SBA\) disaster loans](#) may be used to pay for expenses you incur in a disaster. You may be able to use an SBA loan to pay your insurance deductible. Loans can provide you with more money than credit card borrowing, and they have a longer repayment term; however, this can burden your finances well into the future.

### Check out these helpful links to learn more:

- [Keep an Eye on Your Credit](#)
- [Homeowners Guide to Insurance](#)

## Your Financial Responsibility After an Earthquake

If you have a mortgage, you will still be responsible for making payments on time. **Talk to your lender right away** to discuss payments and timing and any other issues you may have.

- Plan ahead, understand insurance coverage, explore financial resources, and maintain open communication with lenders. These are essential steps in fulfilling financial responsibilities as a homeowner in earthquake prone areas.
- Identify the contact information for your lender BEFORE the earthquake.
- Have mortgage information readily available.

Other expenses that you will continue to be responsible for paying may include state, local, or county property taxes and HOA fees.

### Links & Resources

- [What Should I Do to Protect My Finances and Property?](#)
- [Asking for Help with Your Home Loan](#)
- [Your Disaster Checklist](#)

## What Can You Do To Speed Up Recovery?

You can take a few actions today that will make your recovery after an earthquake easier and less stressful. Get started by answering a few questions: Use the space below each question to make notes to help you prepare.

### Do I Live In An Earthquake-Prone Area?

Take the time to identify potential earthquake hazards that could impact your area, such as liquefaction, surface fault rupture, and earthquake-induced landslides. Visit the [Information by Region](#) page of the USGS Earthquake Hazards Program and visit the website of your state geological survey to determine if you are at risk of earthquakes.

## Could An Earthquake Damage My Home?

### What Kind Of Home Do I Live In?

Certain types of structures are likely to suffer more earthquake damage than others. Examples of vulnerable buildings include:

- “Soft story” buildings, which have a garage on the first floor and living space above the garage.
- Unreinforced masonry buildings (URMs) such as brick, cinderblock, or adobe.

Depending on the building codes enforced in your community, newer homes may be more resistant to earthquakes. Older homes, which predate seismic codes, are typically more likely to suffer damage from an earthquake. Types of damage may include (but are not limited to):

- Collapse of an unreinforced brick chimney.
- Shifting of the house off of the foundation.
- Breaking of utility lines.

#### Considerations:

- See examples of [structural risks](#) on the California Earthquake Authority’s website.
- Check out this [video](#) from Seattle for some examples of URMs.
- Ask your local building department about the age of your building and to find out more about how your home was built. A licensed engineer or architect can also help you learn about your home construction and how you can strengthen it withstand an earthquake.
- Check with your state or local building official for more information
- [Earthquake Safety at Home \(FEMA P-530\)](#)
- [I Own a House in Earthquake Country: What Kind of Damage Could an Earthquake Do \(English | Spanish\)](#)

## What Can I Do to Make My House Safer and Prevent Damage?

One of the most cost-effective ways to protect your life and property is to prevent the damage from happening in the first place, from adding safety locks to cabinets to bolting your house to its foundation. Start by looking around inside your house to see what might move or fall over when shaking starts then securing those items. Next take a look at building itself. You may need to talk to a structural engineer to identify your house's weak points. Taking some pictures of your house and identifying the year it was built are good pieces of information to have.

### Links & Resources

- [Earthquake Country Alliance - Step 4: Minimize Financial Hardship](#)
- [Non-structural mitigation e.g. Home Hazard Hunt](#)
- [Earthquake Safety at Home](#)
- [National Earthquake Hazards Reduction Program](#)
- [Utah Guide for the Seismic Improvement of Unreinforced Masonry Dwellings](#)

### Should I Buy Earthquake Insurance?



**If you are in an earthquake prone area and you live in a building that could be damaged, you should consider buying earthquake insurance for homeowners. Ask yourself:**

- How much damage is likely to happen, what will it cost to repair, and what is the deductible of the earthquake insurance policies available to me? In light of the answers to these questions, how much am I willing to invest in retrofitting my house and/or buying earthquake insurance?
- How much savings do I have? Am I prepared to spend it on repairs, temporary housing, replacing damaged items and other recovery expenses or insurance?
- Where will I live and how much will it cost while my house is being repaired?
- Should I buy insurance? What's important for me to have covered;
- Repairing my property, temporary rent, replacing my belongings?
- What's my plan for paying for repairs or my insurance deductible if my home is damaged?
- What am I most concerned about losing in an earthquake?
- What do I own that could be replaced if damaged? How much will it cost to replace?
- What is irreplaceable and needs to be protected from damage?

Earthquake insurance could help you pay for recovery expenses such as repairing your home and replacing damaged belongings. It could also cover the cost of temporary housing if your home is damaged and you have to move out.

# Earthquake Insurance Can Help You Recover

## Does My Homeowners Insurance Policy Include Earthquake Insurance?

NO, standard homeowners insurance does NOT cover earthquake damage. If you want protection for your home, your personal belongings or temporary housing expenses due to vacating your home, you must purchase earthquake insurance separately. If you don't have insurance, you'll need to be prepared to cover the cost of all damage and recovery expenses yourself. This may include the cost of temporary housing if your home is damaged and you have to move out.

**Learn more:** [Mind the Gap – Do You Need Earthquake Insurance?](#)

## What Kind Of Earthquake Insurance Policies Are There?

Earthquake insurance may be sold as an add-on (called an “endorsement”) to your homeowners policy or as a separate policy. A separate earthquake insurance policy will have its own deductible. This is most commonly a percentage (about 10%-25%) of the dwelling coverage limit. Keep in mind that lower deductibles are offset by higher annual premiums. For more details and quotes, contact your insurance agent.

Parametric earthquake insurance may also be an option. It pays out a fixed sum if the earthquake meets the parameters defined in the policy. Unlike traditional insurance, parametric insurance doesn't require a claims adjustment process, so policyholders receive their payments quickly. The money can be used for any post-earthquake expenses, although the payout is typically too low to repair serious earthquake damage.

Not all companies or options are available in every state that has earthquake hazards. What's available to you?

### Learn More:

- [About Earthquake Insurance.](#)
- [Earthquake Insurance Shopping Guide](#)

## When Should I Buy Earthquake Insurance?

NOW! After the earthquake happens is too late—the damage is already done.

## Why Should I Create a Home Inventory?

By documenting your belongings, you'll have a record ready to share with your insurance company if you suffer damage or loss and need to make a claim. All insurance claims require proof of loss and a home inventory will save valuable time and reduce frustration.

### Check out these helpful links to learn more:

- [How to Create a Home Inventory](#)
- [NAIC Home Inventory](#)

## Can I Afford Not to Have Earthquake Insurance?

In the weeks following an earthquake, if you don't have insurance, you'll need to continue paying your mortgage and cover the cost of all damage and recovery expenses yourself. This may include the cost of **temporary housing** if your home is damaged and you have to move out.

Be aware that there may be very short-term emergency shelter available. Insurance gives you breathing room to figure out your next steps if you cannot return home.

- How would I cover the cost of repairing or rebuilding my house and replacing damaged contents?
- Where will I live (temporarily) if my house is damaged in an earthquake?
- What if I can't stay with a family member, friend, or neighbor because their home is also damaged?

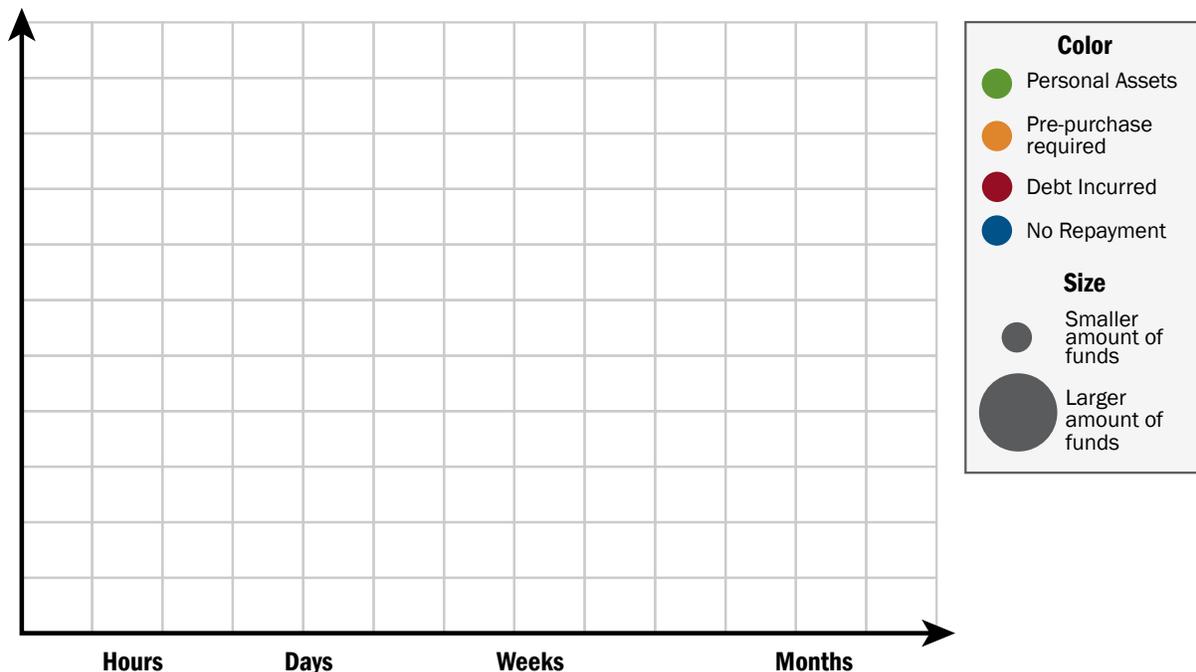
## How Can I Find Earthquake Insurance to Match My Needs?

Considering your needs, ask an insurance agent:

- How is earthquake insurance different than a traditional (homeowners) policy?
- How many earthquake insurance options are available to me and what are they? What does each type cost? What are the differences in coverage?
- What is the deductible and how does it work?

The deductible of an earthquake insurance policy is typically a percentage of the insured value of your house. When you make a claim, the insurance covers damage costs that exceed the deductible. When you buy your policy, you may be able to choose from a range of deductibles, such as 10%, 15%, or 20%. A high deductible comes with a lower premium, but when your house is damaged by an earthquake, you will have to cover more of the repair costs yourself before the insurance pays out.

- What does earthquake insurance for homeowners exclude?
- For loss of use coverage (rent to live elsewhere while repairs are being made to your house), how many months will it cover? Is loss of use coverage subject to the deductible?
- Can I get a discount if I retrofit to strengthen my house?



Now that you've looked at your own situation, would you change your bubbles? If you're having trouble getting started on your preparedness, take the easiest first step by looking at [Your Disaster Checklist here.](#)

[www.fema.gov/earthquake](http://www.fema.gov/earthquake) | [www.nehrp.gov](http://www.nehrp.gov)



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