

Chase Bank withheld \$100K from Florida couple for an entire year, forcing them to take \$250K from their 401(k). Now they owe the IRS tens of thousands

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Chris and Analia DeHayes lost their Ruskin, Florida home to flooding during Hurricane Helene two years ago. What followed was a nightmare that had nothing to do with the storm, but everything to do with their bank.

The couple had flood insurance through FEMA's National Flood Insurance Program, which caps payouts at \$250,000 for residential structures (1). Tampa Bay 28 reports the couple received nearly that amount, but because they had a mortgage, their insurer made the check out to both them and their lender, Chase Bank (2).

This standard industry practice (3) gave Chase significant control over the money, and though the bank released \$141,000 to the couple, it withheld nearly \$100,000 for more than a year.

In the meantime, with construction on the damaged home underway and costs elevated because the home had to be raised under FEMA's 50% rule, the couple had to find a way to keep the project moving.

"Chase has made this an absolute nightmare," Chris DeHayes told Tampa Bay 28 (2).

The 401(k) drain and the tax bomb that followed

With the insurance funds locked up and construction bills mounting, the couple did what many Americans in financial crisis do: they tapped into their retirement savings.

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<https://uphelp.org/chase-bank-withheld-100k-from-florida-couple-for-an-entire-year-forcing-them-to-take-250k-from-their-401k-now-they-owe-the-irs-tens-of-thousands/> Date: July 2, 2026

“We’ve had to even cash in part of our 401(k) to keep the building process going,” Chris told Tampa Bay 28. “We have taken almost a quarter million out of that fund.”

Unfortunately, their decision carries consequences that will outlast the rebuild. Under IRS rules, 401(k) withdrawals are treated as ordinary income in the year they’re taken (4).

For a couple pulling out nearly \$250,000 in a single tax year, that amount gets stacked on top of any other income and taxed at their marginal rate, potentially pushing a significant portion into the 35% federal bracket (5). And if either partner is under 59½ years old, an additional 10% early withdrawal penalty also applies (4).

Chris told Tampa Bay 28 he’d been counting on receiving the Chase funds in time to reinvest them and neutralize the tax hit, but that didn’t happen. Now, he’s on the hook for tens of thousands of dollars in taxes on money he never wanted to spend in the first place.

The couple said they were also blocked from accessing a Small Business Administration disaster loan they’d been approved for, as the terms required full insurance payout to be received before rebuilding funds would be given. Chase’s delay effectively blocked that lifeline, too.

Why banks can do this, and Florida offers little protection

The mechanics behind the DeHayes’ ordeal are built into standard mortgage agreements. When a home with a mortgage suffers significant damage, the insurance check is typically made out to both the homeowner and the lender. The lender then holds funds in a restricted escrow account and releases them in stages as repairs are verified through inspections (6).

Chris and Analia DeHayes say Chase Bank repeatedly scheduled and then cancelled those required inspections over the course of a year. They also say the documentation demands were “relentless,” with more than 90 documents submitted in their effort to unlock the funds (2).

Florida attorney David Murray, who handles insurance cases, told Tampa Bay 28 the state offers virtually no protection in this situation. “Florida, unfortunately, is way behind in the consumer protections that it needs to have in place,” said Murray.

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Many mortgage agreements give lenders vague or expansive authority over insurance payouts, sometimes even the power to decide whether a home is rebuilt at all, he added.

Plus, while the homeowner waits, the bank isn't sitting idle. "They're benefiting two ways," earning interest on the insurance funds they're holding, while simultaneously collecting interest on the original mortgage balance from the borrower, Murray explained (2).

The contrast with other states is notable. For example, California passed legislation in 2025 requiring lenders to pay at least 2% annual interest on insurance proceeds held in escrow (6).

How the FEMA 50% rule made everything more expensive

Compounding the financial pressure, the DeHayes' home had to be elevated as a condition of rebuilding.

Under FEMA's Substantial Improvement rule (7) — commonly known as the 50% rule — any structure in a designated flood hazard area where repair or renovation costs exceed 50% of the structure's pre-damage value must be brought into full compliance with current flood codes, including elevation requirements (8).

For many Florida homeowners, that means physically lifting the entire house — a process that costs around \$150,000 for a small home and can reach upwards of \$1 million for larger properties (9).

That additional cost is precisely what pushed Chris and Analia DeHayes deeper into their retirement accounts while they waited for Chase to release the funds. After Tampa Bay 28 contacted Chase, the company conducted a virtual inspection that same day. Shortly after, Chris and Analia DeHayes received a check for nearly \$100,000.

The resolution was welcome, but the financial damage from nearly a year of delays had already been done.

What homeowners should know

For homeowners impacted by a natural disaster, be sure to contact your mortgage provider immediately upon receiving the check, submit all documentation via certified mail with tracking, and keep copies of everything.

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If a lender's interest in the home is less than the claim amount, Tampa Bay 28 notes homeowners can ask their insurer to reissue the check, limiting the lender's cut to only what's still owed on the mortgage (2).

For guidance on working through the process, United Policyholders maintains a state-by-state recovery resource library for homeowners navigating insurance and lender disputes (10).

And if you're considering tapping into your 401(k) to bridge the gap, understand the full cost before you do so. The IRS's qualified disaster recovery distribution provision waives the 10% early withdrawal penalty on up to \$22,000 for those in a federally declared disaster area. Any amount above that is subject to both income tax and the standard 10% penalty (11).

Income taxes still apply on the full amount, though they can be spread across three tax years rather than taken as a single-year hit (11).

Article Sources

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North Carolina Department of Insurance (1); Tampa Bay 28 (2); AmeriSave (3); Internal Revenue Service (4), (5), (11); United Policyholders (6), (10); Federal Emergency Management Agency (7); Charlotte County Government (8); Marketplace (9).

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