

Survivors Speak: Getting Your Lender to Pay Interest on Your Insurance Funds

Part of the [*“Survivors Speak” Tip Series*](#)

Q: Will my mortgage company pay me interest on my insurance funds that they are holding in an escrow account while I progress toward repairing/rebuilding?

A: Probably, but only very nominal amounts. Disaster-impacted homeowners have succeeded in collecting *very modest* amounts of interest on insurance funds their lender held in escrow. After the late 2021 Marshall wildfire in Colorado, homeowners reported:

DG: Mortgage companies are applying an embarrassing 0.01% rate to these funds. Market rates are about 3-5% or higher. I fought for months with my mortgage company on this and showed them my savings account that was higher, but only got paid the 0.01%.

BT: My servicer held about 200k in restricted escrow for 18 months and paid less than a dollar in interest.

It's common for mortgage paperwork to say something along the lines of: “Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds.” So the challenge is to get the lender to agree in writing to pay interest.

Q: What arguments can I make to get my lender to pay me interest on insurance funds?

Catastrophic loss survivors have taken a variety of approaches to recover interest on insurance proceeds. One 2003 Cedar Fire Survivor asked his mortgage company for a copy of the deposit slip reflecting the account number the company deposited the funds into, and the account documents for that account verifying that funds held there neither bore interest nor were invested. Rather than complying with the

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demand, the mortgage company elected to pay the interest. Sometimes being a pain in the neck matters more than whether regulations or statutes apply.

Depending on your state, legislation or regulations may provide protection on this issue. A Colorado law went into effect in May, 2024 that changed existing law regarding mortgage servicing to improve the disaster recovery process for homeowners with mortgages on their damaged or destroyed homes. First, it puts the homeowner and lender on the same page on a repair/rebuild plan so the lender releases insurance funds in a timely manner as construction proceeds without the homeowner having to nag, beg, etc. Second, it requires lenders to timely forward to the homeowner all insurance funds above what's currently owed on the dwelling. Third, it requires lenders to pay interest on insurance funds held in escrow. <https://leg.colorado.gov/bills/hb24-1011>

Recommended strategies:

- Contact your state's Attorney General's Office and your state elected representatives to file an official complaint and seek their help with the lender.
- Contact a local TV, radio or newspaper's consumer reporter.
- Contact your mortgage lender's corporate/legal departments, CEO, or head of regulatory compliance with your complaint. Explain any servicing rules that are not being followed and/or the hardship that the behavior in question is putting on you. Explain your personal circumstances if you like. You aren't just dealing with a little flooded kitchen here, your freaking house burned down in a national disaster!
- [Complain to the Consumer Financial Protection Bureau, https://www.consumerfinance.gov/complaint/](https://www.consumerfinance.gov/complaint/)
- Consult with a policyholder attorney. Start in UP's [Find Help directory](#) to find one in your area.
- Use social media to call attention to the situation. <https://uphelp.org/claim-guidance-publications/using-social-media-to-be-the-squeaky-wheel/>

This publication was written with input from 2017 CA wildfire survivor Annie Barbour and 2021 CO wildfire survivor Lisa Hughes.

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