

ASK ROBERT WOOLEY

Your Commissioner of Insurance

About your mortgage company keeping some of the insurance settlement

Q. Is there a good reason why my mortgage company gets to keep my insurance settlement until I get my hurricane damage to my house repaired?

A. Yes, there is a very good reason for the mortgage company to have some control over what you are paid to repair your damaged home.

When you bought the house, you took out a loan, and as a part of that transaction the lender required that you purchase an insurance policy to protect the lender's financial interest in your home as well as your own. Yet many people are taken by surprise when the insurance payment for damages to their homes was made out to them and the lender. When you think about it, though, the company holding the mortgage has to have some way of protecting its financial interests.

When you got the check, you were no doubt concentrating on having your home repaired and getting on with your life. Your first thought was of getting those repairs done as quickly and effectively as possible. But the lender has no guarantee that everyone will act responsibly when paying their bills.

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In any case, the person might think they of the money as a kind of loan to be paid back soon. Meanwhile, that little leak in the roof or the structural damage here or there in the foundation might not be a problem at first. By the time the money is spent and the house really starts to suffer from the need for repairs, the mortgage company has lost total control over its financial investment.

By being a cosigner on the check and a partner in the decisions about the repairs of the home, the mortgage company is defending its interests and acting in your best interest as well. It's true that you probably don't need somebody to watch over you to make sure you use that insurance payment wisely, but insurance and lender contracts have to take into account the possibility that some people may not act as responsibly as you.

Just how much oversight the mortgage company has in a claims settlement matter will vary somewhat, depending on your individual contract. As long as the company is not unreasonable in the demands it places on you during the rebuilding process, it is probably acting within its rights. If you feel your mortgage company is not acting responsibly, give us a call to discuss steps you can take to resolve the problem.

Anyone with insurance-related questions or concerns is encouraged to contact the Department of Insurance. PHONE: 1-800-259-5300 or 225-342-0895

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