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## Forget rate hikes – climate change is already killing mortgage lenders' deals

### Home deals collapse as wildfire insurers exit Colorado, says mortgage veteran



By [Bryony Garlick](#)

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As Colorado's home insurance market veers further into crisis, mortgage professionals are sounding the alarm on what's at stake—not just for homeowners, but for lenders and the financial system as a whole.

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"It's a struggle, quite frankly," says Justin Smith, a senior mortgage banker with Cornerstone Home Lending, who has worked in the Colorado housing market for decades. "There is no single silver bullet here."

Insurers have raised premiums sharply across the state, or in some cases, stopped writing policies altogether in fire-prone areas. In parts of Colorado's mountain communities—including areas near Boulder, Colorado Springs, and Fort Collins—homeowners have seen their insurance premiums climb by as much as 51% over the past year, [according to the Colorado Division of Insurance](#).

Some homeowners report being dropped from their plans with little warning—while others are turning to the state's nascent FAIR Plan, a last-resort coverage option that remains limited in scope.

For mortgage lenders, the stakes are high. "That home represents our collateral for the loan," Smith says. "We've got to have that thing insured." Without adequate coverage, banks are unlikely to approve financing, and deals fall apart. In recent months, real estate agents have reported buyers walking away from contracts simply because they could not secure a policy.

Smith attributes the crisis not only to climate change, but to the state's rapid expansion into high-risk terrain. "We've got people living in Colorado in places that never even existed 30 years ago," he says. "All of a sudden, there's 500 homes built on the side of that mountain."

In wildland-urban interface zones, where suburban development meets forested landscapes, fire risk is especially acute. The 2021 Marshall Fire, which destroyed more than 1,000 homes, proved the speed and scale of destruction—even in communities with hydrants, paved roads, and well-staffed fire departments.

"There was literally nothing they could do," Smith says. "When the conditions are right, the fire gets going. It is truly and completely uncontrollable."

Colorado is not alone. States like California and Florida have also seen insurers scale back coverage due to fire and flood risks. But in Colorado, the pace of development—paired with years of drought and a changing climate—has made the problem particularly volatile.

"There's got to be an adjustment," Smith says. "The insurance companies are going to have to arrive at a number that is both competitive enough to generate business and high enough to protect their interests."

For now, there are no easy answers. "I don't know when that's going to get better—or if it's going to get better," Smith says.

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