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Division of Banking

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Illinois Joins $15.5 Million Settlement with Mortgage Servicer
Company Wrongly Charged Customers Force-Place Insurance

Washington, D.C. – Illinois and 46 state financial agencies in 46 states have reached a $15.5 million settlement with one of the nation's largest mortgage servicers for improperly imposing "force-placed" insurance costs on borrowers who already had active homeowners insurance policies.

Under the terms of the settlement, Fort Washington, Penn., based NewRez LLC (NMLS ID 3013), will pay a total of $15.5 million. The company worked with state regulators to self-identify and proactively remediate more than $4.5 million to the impacted borrowers, and it will pay nearly an additional $11 million for costs and penalties. NewRez will be required to implement and conduct enhanced monitoring for loans that have force-placed insurance. The company also must implement other actions to strengthen controls.

The settlement resolves an issue discovered in a multistate examination of NewRez that found the company had improperly imposed "force-placed" insurance on more than 4,200 borrowers nationwide with active homeowners' insurance policies, causing consumer harm in the sum of $4.5 million.

"Strong consumer protections are essential to maintaining confidence in our financial system," said Mario Treto, Jr., Secretary of the Illinois Department of Financial and Professional Regulation (IDFPR). "This settlement reinforces the important role state regulators play in licensing financial institutions and holding them accountable for protecting homeowners, and ensuring these homeowners are treated fairly."

Force-placed insurance is often required when a homeowner's policy is cancelled, delinquent or is insufficient in coverage and the borrower has failed to secure replacement coverage. If necessary, the lender, bank, or loan servicer may force the replacement coverage, which allows the lender to protect its financial interest in the property. This practice usually is significantly more costly than if a consumer secures their own insurance policy.

The District of Columbia led the enforcement team, with the assistance of Arkansas, Iowa, Massachusetts, and Montana. NewRez cooperated with the states in the settlement.

Illinois residents who have questions about the enforcement action should contact Dennis White at Dennis.White@Illinois.gov. Residents can also visit NMLS Consumer Access to verify that a company is licensed to do business in Illinois, and they may also view past enforcement actions.

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