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# Ocwen, Nationstar Pay \$217 Million to Settle Force Placed Insurance Suit

Samantha Joseph, Daily Business Review

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Two of the largest mortgage servicers in the U.S. reached a combined \$217 million settlement in Miami federal court over a national homeowner insurance scandal.

Ocwen Loan Servicing LLC and Nationstar Mortgage faced class action lawsuits covering more than 1 million homeowners suing over insurance policies the servicers and lenders placed on their properties.

Banks, other lenders and their loan servicers have long authorized third-party insurers to access their records and identify borrowers with no property insurance or insufficient coverage to satisfy mortgages.

Homeowners claimed the insurers automatically issued policies on these properties at lender-approved rates, which were well above market rates, leaving homeowners to cover the costs.

Lenders call it creditor-placed insurance. But foreclosure defenders prefer the term force placed, and they say the practice brought large and illegal returns for lenders. They say insurers paid commissions of up to 25 percent to lenders, while overburdened homeowners struggled through the housing collapse.

"These practices had been going on for a long time, but they were never brought to light," Adam Moskowitz, a partner at Kozyak Tropin & Throckmorton in Coral Gables, told the Daily Business Review.

Moskowitz teamed with lead co-counsel Aaron Podhurst of Podhurst Orseck in Miami and Lance Harke of Harke Clasby & Bushman in Miami to represent more than 1 million homeowners nationwide.

U.S. Magistrate Judge Jonathan Goodman approved the Nationstar settlement on Monday and the Ocwen settlement Sept. 14.

The deals provide \$140 million in monetary relief from Ocwen and \$77 million from Nationstar, revising practices that once allowed lenders and servicers to benefit from collateral protection insurance.

"The settlement is generous to class members, providing relief approximating a trial win and for many class members exceeding a trial win," Goodman wrote in the 75-page Ocwen order that allows homeowners to recoup 12.5 percent of the net insurance premium.

It was the latest blow for Ocwen, which reached a \$150 million settlement with New York state regulators over accusations of improper servicing practices for allegedly levying excessive charges on distressed borrowers through affiliated companies and failing to maintain adequate systems to service billions of dollars' worth of mortgages. Former Ocwen chairman William Erbey stepped down as part of the New York settlement, and the company paid a \$100 million penalty plus \$50 million in restitution to current and former borrowers who faced Ocwen foreclosure actions from 2009 to 2014.

The latest Miami settlements are among 14 in nationwide class action suits filed in the Southern District of Florida. The cases involved more than 4 million homeowners nationally and provided injunctive changes and more than \$2 billion in relief.

"Much of the credit for this great relief to so many homeowners across the country goes to those leaders ... who made the decision to help their customers even though they thought they would eventually win these lawsuits," Moskowitz said. "They really should be commended."

Attorney Frank Burt of Carlton Fields Jordan Burt in Miami represented insurers named as co-defendants in the suits, while Brian Otero of Hunton & Williams in New York represented Ocwen and John Sullivan of Severson & Werson in San Francisco was the attorney for Nationstar. None responded to requests for comment by deadline.

Moskowitz and his team first challenged force placed insurance when they certified a class three years ago against Wells Fargo & Co. and reached a \$20 million settlement for monetary and injunctive relief in March 2013. Since then, they've reached settlements with some of the nation's largest banks including JPMorgan Chase, Bank of America N.A. and HSBC Holdings PLC.

"Force placed insurance drove many people into foreclosure and caused them to lose their homes and have their lives uprooted and thrown into disarray," said Royal Palm Beach foreclosure defense attorney Thomas Ice, who was not involved in the litigation. "The settlement is a step in the right direction but will do little to discourage such recidivistic behavior by financial institutions."

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