



FORCE-PLACED INSURANCE: WHAT YOU NEED TO KNOW

Force-placed insurance, also known as creditor-placed, lender-placed or collateral protection insurance is an insurance policy placed by a lender, bank or loan servicer on a home when the property owners' own insurance is cancelled, has lapsed or is deemed insufficient and the borrower does not secure a replacement policy. This insurance allow the lender to protect its financial interest in the property.

A lender may also force-place flood insurance on homes in flood zones that they believe do not have enough flood insurance to meet the legal minimum required to protect the property.

If you obtain a loan to buy a car, you must have insurance to cover the car. If you fail to obtain insurance or let your insurance lapse, the lender likely has the right under the sales contract to force-place insurance on the car.

Force-placed insurance is usually a lot more expensive than what you can obtain by shopping for an insurance policy yourself. In addition, the lender-placed insurance policy may have limited coverage. For example, these policies generally do not cover personal items or owner liability.

What To Do If Your Lender Has Force-Placed Insurance on Your Property:

As soon as possible, contact an insurance carrier and get a new policy or seek to have your old policy reinstated. Even if you believe the servicer is at fault, you should continue to make payments to cover the force-placed insurance.

Gather detailed proof of the new insurance and send a copy of the relevant documents to your servicer. Request that they cancel the force-placed insurance policy they obtained for you as soon as possible.

If a dispute arises, you can send a Qualified Written Request (QWR). A QWR is written correspondence that you or someone acting on your behalf can send to your servicer to ask for information relating to the servicing of your loan or to dispute errors about your loan account. The U.S. Department of Housing and Urban Development (HUD) provides a [sample QWR](#) on its website.

If the cancellation is due to your servicer's failure to make timely disbursements out of your escrow account for the premium payments, then you may want to consult an attorney. Call the [New York State Bar Association's Lawyer Referral Program](#) at (800) 342-3661 to find one. If you can't afford a lawyer, you may qualify for free legal assistance. Call the Legal Aid office in your area, visit Law Help at www.lawhelp.org

If you still have questions about where to turn for assistance or if you believe you are a victim of fraud you can [file a complaint](#) with DFS or call us at 1-800-342-3736. We can also answer your questions about mortgages, personal debt and the foreclosure process and can help you find professional help and resources in your area.

If you have had insurance force-placed on your home, [share your story](#) on our website.