

# MidFirst agrees to pay \$2.7 million to settle class-action lawsuit

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MidFirst Bank will pay \$2.7 million to settle a class-action lawsuit that claims the bank profited by forcing borrowers to purchase flood insurance they didn't need on their homes.

A federal judge in New York gave preliminary approval to the settlement on Friday, which covers a class of about 15,000 borrowers. The settlement would allow Oklahoma City-based MidFirst to resolve claims in a consolidated class-action lawsuit against MidFirst and Citigroup Inc. The lawsuit claims the banks made money by forcing borrowers to purchase excessive flood insurance coverage on their mortgaged homes.

MidFirst declined to comment in detail on the lawsuit because of the pending settlement. A hearing is scheduled for Sept. 26 in Utica, N.Y., for the court to give final approval to the settlement and award any attorneys fees and other costs in the case.

“The settlement reached is satisfactory to the parties, and the parties look forward to the court's approval of the settlement,” MidFirst said in a statement.

The settlement would give borrowers a 20 percent refund from a period between May 2006 and May 2014, during which the bank allegedly overcharged.

The lead plaintiff in the class-action lawsuit, Gordon Casey — a disabled former factory worker in Syracuse, N.Y. — filed the lawsuit in U.S. District Court in the Northern District of New York in 2012. The lawsuit claims the MidFirst subsidiary Midland Mortgage required Casey to carry flood insurance coverage at a rate that was 14 times the outstanding principal balance on his home loan.

Midland purchased additional flood insurance on Casey's home after notifying him in a letter that his insurance coverage was insufficient, in a practice known as forced placement. The cost of the insurance was passed on to Casey in the form of higher monthly payments.

The additional flood insurance increased the cost of Casey's monthly mortgage payments by \$154, which was a "crushing financial burden," for the disabled man, according to the lawsuit.

MidFirst and Midland did not have legitimate reasons to force Casey to pay for the additional flood insurance, Casey claimed in his lawsuit.

"Rather, Midland force-placed this coverage because it was financially lucrative for it to do so," the lawsuit claimed.

In form letters to borrowers, Midland admitted that FirstInsure — an affiliate of Midland — earned income from commissions and premiums from the forced placement of flood insurance. Midland also received commission and other income from force-placed hazard insurance, the lawsuit claimed.

Citigroup agreed to pay \$110 million in February to settle similar claims in the lawsuit.

The lawsuit also accused Citigroup of forcing borrowers to purchase excessive flood insurance coverage.