



NATIONAL
ASSOCIATION *of*
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May 28, 2013

Mr. Ed DeMarco
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20024

Re: Lender Placed Insurance, Terms and Conditions

Dear Mr. DeMarco:

I am writing on behalf of the over one million members of the National Association of REALTORS® (NAR) to provide comments to the Federal Housing Finance Agency (FHFA) on its future approach related to lender placed insurance.

NAR is America's largest trade association, including our eight affiliated Institutes, Societies and Councils, five of which focus on commercial transactions. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of the 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

Background

On March 29, 2013, FHFA published a notice on an alternative approach to address certain practices related to lender placed insurance that the agency considers contrary to prudent business practices and appropriate administration of Fannie Mae and Freddie Mac (the government-sponsored enterprises or GSEs). FHFA will conduct a broader review of the lender placed insurance market, but has deemed that some practices addressed are considered sufficiently distinct compared to other lender placed insurance practices to merit early action by the agency.

NAR has provided numerous comments on issues caused by the high premiums and fees that accompany lender placed insurance and the problems it causes for distressed borrowers trying to avoid foreclosure. As FHFA continues its review of the practice of "force-placed insurance", we submit the following comments for consideration.

Restriction on Lender Placed Insurance

NAR believes that limiting the use and necessity of lender placed insurance will reduce an area of significant abuse in the servicing industry. The extraordinarily high premiums and fees related to lender placed insurance can often be the final blow to a borrower struggling to avoid losing their home. Catching up on the mortgage payments can be hard enough, without having to pay these extraordinary, sometimes questionable costs. Even where a borrower decides the home is no longer affordable, a large balance of such unpaid premiums and charges can make a short sale impracticable and results in foreclosure, with all of its damaging effects not just for the borrower and the lender, but also for the immediate neighbors, the wider community, and our nascent economic recovery.



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We have previously suggested that having servicers advance funds to the borrower's escrow for payment of the insurance policy, rather than for lender placed insurance, would protect both the investor and borrower. This option avoids imposing costly premiums of lender placed insurance on borrowers while protecting the investor and the borrowers against loss of, or damage to, the home.

Conclusion

NAR appreciates the opportunity to comment on FHFA's approach to address practices related to lender placed insurance. As the agency continues to review the practice, we urge you to work with government and industry representatives of servicers and consumers to adopt guidance that results in an affordable premium for the borrower.

If you have questions, please feel free to contact me or Charlie Dawson, NAR's Policy Representative for Financial Services, at 202.383.7522 or cdawson@realtors.org

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Thomas", written in a cursive style.

Gary Thomas
2013 President, National Association of REALTORS®