## Heidel, Karen

**From:** Brian Penny <azmikversable@gmail.com>
**Sent:** Tuesday, March 26, 2013 6:55 PM
**To:** #LPI Input
**Subject:** LPI Info from Former Employee

Hi,

My name is Brian Penny (but I'm sure you already know that by now). From Oct 2005-Jan 2011, I worked at Balboa Insurance Group through the transition from Countrywide to Bank of America. I've worked in various aspects of the Force-Placed Insurance (aka Lender Placed Insurance aka LPI) business. Here are some of the issues (and proposed solutions) to the Force-Placed Insurance fraud:

1) **LPI coverage didn't increase because of the housing crisis.** Myself, Names of individuals deleted were among the Business Analysts and back-end systems specialists who constantly worked on projects for Names of individuals deleted to find more reasons to systematically place LPI on accounts. In the time I worked there, we created, tested, approved, and implemented hundreds of automated queries designed to find loans that we can place LPI on. This is why coverage increased.

2) **LPI should not be considered an insurance product. It's a bank service.** Rather than a consumer price-shopping insurance, the Loan Servicer is doing it. They should only be allowed to charge a $35 (maximum) service fee for price shopping regular insurance. The FHFA must place restrictions on how the banks determine insurance.

   The banking industry argues that this is impossible because Force-Placed Insurers are blindly insuring the property, which they are not. The Force-Placed Insurer (Balboa/QBE & Assurant) also acts as the Insurance Tracker. Because of this, they have access to:

   a. All mortgage/tax/assessment info
   b. All prior insurance info

   The only exception to this is in the case of a Servicing Transfer, in which case, the FHFA needs to enforce rules to ensure accountability for customer file migrations on both the old and new servicer. There is no excuse for charging a customer for Force-Placed Insurance (or any other fees, for that matter) simply because their loan happened to fall in a portfolio whose servicing was transferred without the borrower's knowledge or request.

   Remember that Force-Placed Insurance only began in 1994. It wasn't always necessary, and statistics clearly show it has been nothing but abused since its inception, which brings me to my next point:

3) **The Force-Placed Insurer should NEVER be the same company, a subsidiary, etc of the Loan Servicer or Insurance Tracker.** This is the point where most Force-Placed Insurance fraud originates from - The Insurance Tracker is contracted (paid at a cost per loan rate determined by servicing ratios in the Service Level Agreement) by the Loan Servicer to decide whether or not a consumer needs the Insurance Tracker's proprietary in-house insurance. The answer will more often than not be yes. If anyone pays me $1 to decide whether or not you need my $100 insurance, guess what? You're always going to need my $100 insurance, because I make $101 that was instead of $1. This is exactly how the LPI industry has worked since 1994, and it still works like this today at the cost of millions of innocent Americans. This has to be stopped immediately.

4) **Escrow Services (including accounts, taxes and insurance) need to be more transparent.** Why do so many tens of millions of Americans pay into an escrow account, yet they can't view the balance, etc with their mortgage payment? Why are people being told they must meet insurance requirements, but these requirements (and their current level of insurance) aren't being listed on their bank's website?

   Take Wells Fargo for example. Wells Fargo's Home & Auto loan portfolios are handled by different Insurance Tracker/Force-Placed Insurers. From a consumer standpoint, I can't proactively update my insurance for either on wellsfargo.com. To upload my information online, I have to wait until the banks determine it is insufficient, then go to either Assurant's (home) or QBE's (auto) website to update that information.

   When I worked at Balboa/QBE, the updates from the ihaveinsurance.com website were the lowest priority, and no information was taken at face value since people could only enter information in fields. No one could scan/upload their insurance documents. The Insurance Trackers purposely made it difficult for borrowers to update information because they profited from placement of Force-Placed Insurance.

If you're in any way serious about actually solving this problem and sending a clear message to the banking and insurance industries that corruption and fraud will not be tolerated, then you absolutely must contact me to assist in drafting regulations, setting fines, and enforcement. LPI is already directly responsible for over $44 billion in losses, and this must be stopped.

I can walk you through any systems, procedures, contracts, or anything else you need to know about how these changes can be implemented and why they are so necessary.

Thanks,

Brian Penny

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