



**National Association
of Federal Credit Unions**
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NAFCU | Your Direct Connection to Education, Advocacy & Advancement

May 28, 2013

Federal Housing Finance Agency
OHRP
Constitution Center
400 Seventh Street S.W.,
Ninth Floor
Washington, DC 20024

RE: **Lender Placed Insurance**

Dear Sir or Madam:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions (FCUs), I am writing to you regarding the Federal Housing Finance Agency (FHFA) notice in the *Federal Register* seeking input on certain practices related to lender placed insurance. See 78 Fed Reg. 19264 (March 29, 2013).

The notice seeks input on prohibitions the FHFA is contemplating with respect to mortgage loans sold to Fannie Mae and Freddie Mac (together, the Enterprises). Specifically, the FHFA is considering requiring the Enterprises to prohibit: (1) sellers and servicers from receiving, directly or indirectly, remuneration associated with placing coverage with or maintaining placement with particular insurance providers; and (2) sellers and servicers from receiving, directly or indirectly, remuneration associated with ceding premiums to a reinsurer that is owned by, affiliated with or controlled by the sellers or servicer.

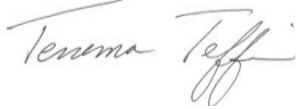
NAFCU strongly urges the FHFA to significantly scale back the prohibitions it is considering. Credit unions, as not-for-profit cooperative entities, generally enter into third-party agreements specifically designed to reduce, not increase, cost for the member-borrowers. In the case of lender placed insurance, the benefits of a credit union's third-party agreement directly extend to other member-borrowers as they are owners of the credit union.

NAFCU urges the FHFA to study further the prohibitions it is seeking to implement to ensure that they are tailored narrowly enough to prevent abuse, but would still permit appropriate risk coverage. Lender placed insurance, as the FHFA knows, protects mortgage lenders, investors and mortgage insurers. Where voluntary insurance lapses and a lender places insurance on the collateral, the Enterprises incur benefit.

Accordingly, should the FHFA move forward with the proposed prohibitions, NAFCU strongly urges the agency to take every precaution necessary to ensure that it does not unintentionally create unwarranted roadblocks to lenders' ability to reducing risk by placing insurance on collateral. We also urge the FHFA to ensure that its policies and regulations are not inconsistent or in conflict with recently-issued regulations on lender-placed insurance. *See* 12 CFR 1024.37 (effective January 10, 2014).

NAFCU appreciates the opportunity to provide comments. Should you have any questions or would like to discuss these issues further, please contact me at ttefferi@nafcu.org or at (703) 842-2268.

Sincerely,

A handwritten signature in cursive script, reading "Tessema Tefferi".

Tessema Tefferi
Senior Regulatory Affairs Counsel