

November 18, 2024

The Honorable Sandra Thompson
Director
Federal Housing Finance Agency
400 7th Street SW
Washington, DC 20219

Dear Director Thompson,

The American Bankers Association, Housing Policy Council, and Mortgage Bankers Association (the Associations) respectfully request that the Federal Housing Finance Agency (FHFA) direct Fannie Mae and Freddie Mac (the Enterprises or the GSEs) to rescind the bulletins issued in February 2024 regarding property insurance verifications (2024 Bulletins),¹ as well as recall the associated survey currently being conducted for lenders and servicers.

As we have previously communicated to FHFA's and the GSEs' staff, the 2024 Bulletins have created significant operational, legal, and consumer protection questions and challenges. Therefore, the Associations respectfully request that the Enterprises rescind the 2024 Bulletins and affirmatively state that the current industry practice of verifying that an insurance policy pays claims on a replacement cost basis meets GSE requirements. Such a step will provide much needed clarity while FHFA and the Enterprises engage in a revised process (described below) that is transparent, inclusive, and follows established protocols to clearly identify the problem(s) they seek to address with the policy changes announced in the Bulletins.²

The Associations appreciate the ongoing efforts of FHFA and the GSEs to engage with the property and casualty insurance sector and encourage the continuation of this dialogue as an essential first step in addressing the challenges posed by the 2024 Bulletins. However, the current survey process that seeks to collect data from lenders and servicers through a non-transparent and non-public process is premature and likely violates the Paperwork Reduction Act (PRA).³

These surveys, as currently constructed, exacerbate the industry's uncertainties and fail to acknowledge or address the full range of unintended consequences resulting from the unachievable standards articulated in the 2024 Bulletins (and the underlying policy). Indeed, neither the Bulletins nor the surveys acknowledge that the newly announced policy is inconsistent with some state and federal regulations, and they do not provide clear or practical expectations for action when a servicer identifies insufficient coverage.

¹ Fannie Mae Selling Guide Announcement (SEL-2024-01) (Feb. 7, 2024), <https://singlefamily.fanniemae.com/media/38011/display>; Fannie Mae Servicing Guide Announcement (SVC-2024-01) (Feb. 14, 2024), <https://singlefamily.fanniemae.com/media/38061/display>; Freddie Mac Bulletin 2024-01 Selling Updates (Feb. 7, 2024), <https://guide.freddiemac.com/app/guide/bulletin/2024-1>.

² Such a review could be similar to the one conducted by FHFA's Office of Inspector General in 2021 on the Disaster Risk for Enterprise Single-Family Mortgages, available at <https://www.fhfaog.gov/sites/default/files/WPR-2021-004.pdf>.

³ The PRA requires that federal agencies, including FHFA, submit proposed information collection instruments—such as surveys—to the Office of Management and Budget (OMB) for approval before they are distributed, if more than ten organizations are to dedicate resources to the compilation and transmission of information. This approval process obligates agencies to minimize the “paperwork” burden on respondents and seek to “improve the quality and use of Federal information to strengthen decision-making, accountability, and openness in Government and society.” See 44 U.S.C. § 3501 *et seq.*

Instead of proceeding with the surveys, we urge FHFA and the GSEs to continue their policy dialogue with the property and casualty insurance sector. If, after this engagement, FHFA and the GSEs determine that additional information is necessary, they should initiate a transparent and public Request for Information (RFI). The RFI should be informed by discussions with the insurance industry and should clearly identify potential safety and soundness concerns deserving further examination. Additionally, the RFI should outline specific objectives, such as policy and practical procedural changes FHFA and the GSEs believe are necessary to address the concerns identified. Once the questions are carefully developed and made available for public comment, lenders and servicers will be better positioned to contribute constructively to the process.

The Associations appreciate your consideration of this request and look forward to continuing our work with the FHFA and Enterprises to develop policies that serve the best interests of all stakeholders involved.

Sincerely,

American Bankers Association⁴

Housing Policy Council⁵

Mortgage Bankers Association⁶

CC: The Honorable Sherrod Brown, Chairman
The Honorable Tim Scott, Ranking Member
Senate Committee on Banking, Housing, Urban Affairs

The Honorable Patrick McHenry, Chairman
The Honorable Maxine Waters, Ranking Member
House Financial Services Committee

⁴ The American Bankers Association is the voice of the nation's \$24 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard \$19 trillion in deposits and extend \$12.4 trillion in loans.

⁵ The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers; mortgage, hazard, and title insurers; and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families. For more information, visit www.housingpolicycouncil.org.

⁶ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.