

March 27 2013

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

RE: Federal Housing Finance Agency, No. 2013-N-05
Lender Placed Insurance

Dear Sir or Madam;

As the President of the Villa Capriani Homeowners Association on North Topsail Island, NC, I would like to submit the following comments on behalf of our Board of Directors and 116 homeowners.

Many of our owners are struggling with the costs of insurance against a backdrop of a depressed housing market. Insurance costs are becoming an impediment to ownership, as well as the ability to refinance. By way of background, Villa Capriani is an ocean-side condominium complex consisting of 116 residences, 3 swimming pools, on-site restaurant, tennis courts large common areas. The Villa's Master Policy of \$28M costs \$598,000 a year, which equates to roughly \$6000 per owner (depending on the size of their condo). That policy includes \$2.5M in flood insurance (which costs over 45% of the total premium). Our Board has examined several times purchasing additional flood insurance, only to find that it is either not available, or unaffordable. For our complex, the cost of purchasing additional flood (another \$2.5M is the maximum we could obtain), is over \$60,000 (another \$510 per unit per year). Assuming we added that coverage, lenders indicate we would still have only \$44,000 in flood coverage per unit, and would still be faced with a "gap".

For mortgagees, the gap results in being forced to buy additional flood insurance. Costs reported by our owners range from an additional \$1000 to \$2000 a year. Those same owners also have HO6 policies that cost between \$600 and \$1100 a year. Therefore, what our owners face is insurance costs approaching \$8000-9000 a year, plus homeowner's fees of \$5500 a year, and of course their mortgage costs. Those numbers impede property sales and refinancing, and are responsible to some extent for depressed values and foreclosures.

The proposed approach in 2013-N-05 does address one aspect of cost, that being the commission charge that is built into lender placed insurance. Not only does the bank collect a commission from its own insurance arm, but we believe it also incentivizes lenders such as Wells Fargo, Bank of America and others to demand more insurance than is required. In that respect, we find banks insisting on insurance to "full value" (with an upper limit of \$250,000), rather than complying with guidance in the HUD Handbook (4330.1, ch. 2, § 2-11(B)) which provides "[t]he mortgagee may not insist on

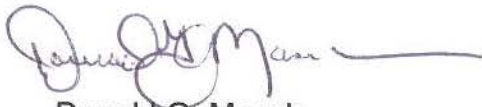
more coverage than is necessary to protect its investment." (in other words, the mortgage value of the property) (e.g., in at least one instance at the Villa, Wells Fargo demanded flood insurance to "full value" of \$250,000, less the Master Policy coverage of \$22,000 they applied to the unit. Wells Fargo therefore attempted to force place an additional \$225,000 in flood coverage against the outstanding mortgage balance of \$20,000).

We believe that a prohibition on commissions derived from lender placed insurance is but one of several needed steps to address what has become a burdensome situation. Owners face a lack of transparency (owners do not get to discuss insurance requirements with the lender's insurance representatives), a maze of regulations and guidelines, and no apparent consistency in lender application of FHA and HUD requirements for coverage or rates. Rather, our owners have found major inconsistencies among the various lenders, and even on the part of the same lender to owners in the same complex with similar properties.

We would respectfully encourage adoption of this measure, but would also urge consideration of rate reductions, and closer scrutiny of compliance with both existing HUD and other agency guidelines, as well as recent relevant court rulings which lenders either selectively apply or ignore.

Thank you for your consideration of this correspondence and attention to this important issue. Please feel free to contact me at 703 590-2212 for further information.

Respectfully,

A handwritten signature in blue ink, appearing to read "Donald G. Masch", followed by a horizontal line extending to the right.

Donald G. Masch
President
Villa Capriani Board of Directors
don.masch@atk.com