

Federal Housing Finance Agency, OHRP

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Constitution Center

400 Seventh Street SW

Ninth Floor

Washington, DC 20024

RE: Lender Placed Insurance

As a Real Estate Broker in the State of Florida, I've seen a lot of injustices through the years between Mortgage lenders, Banks and Insurance carriers in regards to Home Owner Insurance Policies forced on them (the owners) during financing.

This action against Home Owners of late, in my opinion, has all the characteristics of extortion.

The home owner, at the request of the mortgage supplier, must have a one year paid home insurance policy at closing. The insurance supplier calculates the total replacement cost (from the insurance company schedule) if the home is totally destroyed and uses that figure for the base cost regardless what the mortgage amount is, what the home owner paid, what condition it's in, what the current Tax Assessment value is, or what the current market value may be.

Most insurance quotes in high risk areas are usually very high with a high deductible for storm damage.

In some cases, one which is my own, I was notified by my insurer my Home Owner's insurance Policy was going up this year. My policy went from \$ 2500.00 to \$ 3600.00, my Mortgage escrow analysis indicated I would have to send them (Mortgage Company) \$ 2600.00 towards escrow and my payment was increasing over \$400.00 per month to fund the escrow account. My storm deductible on this policy is \$12,500.00, it's like making a donation to the insurance company.

Another example is someone in the office who recently refinanced their homesteaded Condo unit on the 3rd floor of a subdivision. As a Mortgage requirement, they had to have interior and flood insurance for the unit. The Condo Association was paying for the building's exterior Insurance. As a result of a recent flood map modification the complex is now in an AE flood zone. As a result of this recent Map Modification the Mortgage Company required flood insurance on a third floor condo refinance. The cost the 1st year for the insurance was \$ 1200.00, the renewal policy this year went to \$ 1800.00. The extra funds will make their Mortgage monthly payment increase by \$ 150.00. The Condo Association will have to modify their coverage to include flood which will be an additional cost to its members. To my knowledge, only one Insurance Policy is allowed per dwelling. This duplication of coverage leads to confusion and possible fraud.

This places extra costs which in some cases results in such a high Escrow payment buyers are discouraged from the purchase and those who already own find themselves wondering where the additional money will come from.

In two similar instances closings were held up while the buyer had to find flood insurance as required by their mortgage company before loan approval was possible. In both cases the purchases were for Condo units on upper floors of the building.

I have some suggestions.

I think any mortgagee whether bank, mortgage company, or private money should pay the home insurance policy or at least a large portion of the premium. After all, this insurance covers loss by natural and accidental causes to and for the Mortgagee's investment. The same condition exists for Mortgage Insurance (PMI) premiums. They are paid by the home buyer however, the insurance covers losses for the Mortgage Company when they entice buyers with a low down payment product.

The mortgage companies are the only business I know that their customers pay all their required insurance. For the most part, if you have a claim, the insurance check comes to the home owner in their name and the mortgage company name. The home owner has to take the check to the bank sharing the pay order and see if it's approved for funding.

My ideas may be a little lofty however, some attention needs to be given to this sector of the housing market. Our economy cannot fully recover for any long period of time without a strong housing market.

Respectfully Submitted,

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