

---

# FEDERAL HOUSING FINANCE AGENCY



## NEWS RELEASE

---

For Immediate Release  
November 5, 2013

**Contact:** Corinne Russell (202) 649-3032  
Stefanie Johnson (202) 649-3030

### **FHFA Directs Fannie Mae and Freddie Mac to Restrict Lender-Placed Insurance Practices**

**Washington, DC** – The Federal Housing Finance Agency (FHFA) announced today that it has directed Fannie Mae and Freddie Mac to prohibit servicers from being reimbursed for expenses associated with captive reinsurance arrangements. The announcement follows a Notice that FHFA published in the Federal Register last March regarding its views on these lender-placed insurance practices and accepting public input. The Notice also cited concerns that the practices expose Fannie Mae and Freddie Mac to potential losses as well as litigation and reputation risks.

FHFA also established a Regulatory Working Group consisting of federal and state regulatory agencies to ensure that all parties with an interest and role in the subject of lender-placed insurance are engaged in the discussions. The views of the Working Group were carefully considered along with the more than 30 replies FHFA received from consumer advocates, state regulators, lender-placed insurance carriers, servicers, managing general agents, individuals, and trade associations in response to the Notice. Today's action reflects this input.

“FHFA remains concerned about the cost of lender-placed insurance for Fannie Mae, Freddie Mac, and consumers,” said FHFA Acting Director Edward J. DeMarco. “One of our primary responsibilities as conservator of Fannie Mae and Freddie Mac is to preserve and conserve their assets on behalf of taxpayers. This directive is intended to reduce their costs as we consider additional measures.”

Fannie Mae and Freddie Mac will provide aligned guidance to sellers and servicers to prohibit these practices, including implementation schedules.

###

*The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$5.5 trillion in funding for the U.S. mortgage markets and financial institutions.*