



Your Monthly Update

Keeping you informed

March 2013

Your partner of choice: this is the standard that we strive to meet each and every day. As we conclude the first quarter of 2013, our goal is to continue to provide important industry news and relevant topics of interest, as well as share key activities QBE has undertaken to provide the best quality products and services to you, our valued client. We have included a summary of recent compliance and regulatory issues and our proactive responses. This issue also includes IT updates, along with showcasing our “QBE Highlight,” which demonstrates our dedication to the communities we live in and the industry we serve. We hope this information will be helpful to your continued success, and we rededicate ourselves to your future growth and look forward to the second quarter of 2013.

Industry/Compliance Update

Quarterly Compliance Webcast. As part of our continuous effort to provide our clients with the most up-to-date compliance information, we provide a forum where our clients can hear directly from our team of experts and ask questions in real time. On February 28, QBE hosted the first of four quarterly webcasts and shared federal and state regulatory updates with over 100 participants. The webcast included updates related to the Biggert-Waters Flood Insurance Reform and Modernization Act (Biggert-Waters), the Consumer Financial Protection Bureau (CFPB) Mortgage Servicing Final Rules, the CFPB rules related to Ability to Repay and Qualified Mortgages, and an introduction of the National Mortgage Database under development as a joint effort between the Federal Housing Finance Agency (FHFA) and the CFPB.

Communications of compliance and regulatory updates go out to our clients quickly upon issuance, and our team of experts is always available to discuss these bulletins as they are released. To provide you with an opportunity to discuss these updates with peers, QBE includes these webcasts as part of our overall compliance communications. When you receive regular bulletins and need further assistance, please contact your Executive Account Manager, and we will set a time for you to talk with a member of our Compliance Team. For those unable to attend the Compliance Webcast, we invite you to listen to a recording of it at <http://www.qbefirst.com/cwa.aspx>.

Fannie Mae updates. Fannie Mae has released new Selling and Servicing Guide announcements related to Biggert-Waters. SEL-2013-02 and SVC-2013-03 announce revisions to Fannie Mae guidelines that will permit either a National Flood Insurance Program (NFIP) or a private flood insurance policy to comply with the Mandatory Purchase of Flood Insurance Guidelines as long as the private flood insurance policy terms and conditions, as well as the amount of coverage, are equal to the corresponding NFIP policy. The servicing guide also addresses the Biggert-Waters requirement that lender-placed flood insurance be cancelled and unearned premium refunded within 30 days following receipt of evidence of voluntary flood coverage. The servicing guides, with the exception of special remittance type codes, are effective immediately. The remittance type codes are effective April 1, 2013. (Remittance Advice Remark Codes [RARCs] are used to provide additional details on an adjustment already described by a Claim Adjustment Reason Code [CARC] or convey information about remittance processing.)

- **Next Steps:** The private insurance provision contained in the Biggert-Waters Reform Act of 2012 did not include an effective date for the regulation; and as of press time an effective date has not been published. The Act states that private flood insurance is acceptable to meet the mandatory purchase requirement in the Flood Act (provided it meets certain criteria) but is silent on what a lender is required to do if the private flood insurance policy deviates from this criteria. QBE is actively working with industry leaders to further define and clarify this requirement. Please contact your Executive Account Manager if you have additional questions.

CFPB lender-placed servicing rules. CFPB Regulation X (RESPA) final rules address both the language and timing of borrower notices related to lender-placed insurance. Minimum timing requirements include a 45-day notification prior to charging a borrower for lender-placed insurance with a second notice at least 30 days after the first notice and at least 15 days before assessing a premium charge. The CFPB rules contain new requirements for two separate “reminders” or second notices based on: (1) whether evidence of insurance is received or not and; (2) if received, whether the policy includes continuous coverage.

Borrower notification for renewal of lender-placed insurance must also be provided at least 45 days prior to assessment of a charge and can be provided prior to the expiration of the lender-placed policy.

- **Next Steps:** Although most clients’ notice cycles may already be within these guidelines, QBE is reviewing each client’s notice cycle and will be discussing any possible changes. The borrower notification language is also specifically addressed in Regulation X.

To avoid borrower confusion, the CFPB requires that only specific information be placed on the borrower notices and that any other information is prohibited on the CFPB-required borrower notice. The CFPB has provided model notices that fully comply with its requirements.

- **Next Steps:** QBE recommends clients use these model notices with any additional information contained on separate documents sent to the borrower in the same transmittal, as permitted by the CFPB. QBE is currently reviewing client notices to determine what information is not permitted on the CFPB-required notice and how this information can best be conveyed to borrowers. Over the next several weeks, your Executive Account Manager will be working to address the issues related to notices and begin making the changes in preparation for the January 2014 deadline.

Superstorm Sandy update. Fannie Mae (Lender Letter LL-2013-03) and Freddie Mac (Bulletin 2013-4) have further extended their moratorium on foreclosure sales and eviction lockouts/closeouts for borrowers whose property or employment is located within the FEMA-declared disaster areas eligible for federal individual assistance. The moratoriums are now scheduled through April 30, 2013.

Additionally, on February 12, 2013, New York Governor Andrew Cuomo announced completion of an investigation by the Department of Financial Services (DFS) related to Superstorm Sandy claim payments that may not have been received by homeowners to pay for property repairs. Communication by the DFS has been sent to banks and mortgage servicers requesting that they expedite payments to Superstorm Sandy victims to assist with their recovery.

Understanding that some servicers may be following Freddie Mac and Fannie Mae guidelines, the DFS also sent letters requesting that Freddie Mac and Fannie Mae enact emergency reforms to their guidelines relating to the release of insurance funds. The DFS suggested that communication with homeowners include information on lender websites and the release of emergency or advance funds. Further, they suggested that the amount of documentation required during each phase of property repair be minimized and that borrowers be notified of any instructions or additional requirements necessary to obtain property repair funds.

FEMA's rescission of the mandatory purchase of flood insurance guidelines. On February 4, recognizing the number of revisions necessary to the Mandatory Purchase of Flood Insurance Guidelines based on the passage of Biggert-Waters and time elapsed since the last update, FEMA rescinded the most current guidelines and removed the document from their website. FEMA is working to update these guidelines to ensure the NFIP policies comply with Biggert-Waters. FEMA has announced it plans to have procedures in place by August 1, 2013, which may include revisions to the Mandatory Purchase Guidelines. The FEMA Flood Insurance Manual, which addresses many questions concerning NFIP flood coverage, remains available at www.fema.gov.

IT Update

Expanded customer access for loss draft services. In December, 2012, QBE launched a dedicated website for loss draft services. For clients currently using our client-branded website, their customers are able to:

- Download claim packets and documents required for the monitoring process rather than waiting to receive the documents via mail
- Upload their documents online for processing by QBE, shortening the timeframe for submission of required documentation
- Access a Frequently Asked Questions (FAQ) document to assist with general questions
- Submit questions using a "Contact Us" form, which is immediately routed to the loss draft team for response to questions or concerns
- Make use of a process flow chart that visually reflects the overall loss draft process

Borrowers have found the website advantageous so far, with an average of 800 unique monthly visitors to the site since implementation.

Our clients and their customers will further benefit from additional enhancements to the loss draft website already in development and targeted for implementation in the third quarter, 2013. These enhancements will offer customers the additional capability to:

- Register an online account to manage their loss draft file
 - View details of their loss draft claim including status, document history, funds activity and inspection status
 - Update their profile with any temporary address

- Manage online user access to their claims
- Submit certain forms with an electronic signature, further reducing the loss draft cycle time

Additional updates will be provided as the upcoming enhancements are successfully migrated into production. Please contact your Executive Account Manager with questions or if you would like to explore offering the benefit of our website to your customers.

QBE Highlight

Building a Better World, One House at a Time

New houses recently went up in four U.S. communities with the assistance of Habitat for Humanity and 150 QBE volunteers. Installing subfloors, putting up walls, raising roofs, painting trim, installing siding and even planting gardens, we enabled low-income families to move into new homes in Paterson, NJ; Marietta, GA; Morrisville, NC, and Jacksonville, FL. Volunteers' pay and construction funds were provided by QBE and the QBE Foundation, whose goal is supporting opportunities to help people live more independently, successfully and productively. The QBE Foundation also recently presented grant checks to three organizations nominated by employees:

- **Goodwill Industries International.** Our \$50,000 grant will fund an online program to help career seekers learn from mentors.
- **Teach for America.** With \$50,000 from the QBE Foundation, more recent college graduates will be recruited to teach in struggling, high-poverty schools.
- **United Way of Dane County (Wisconsin).** Our \$50,000 foundation grant will bolster a \$64,000 contribution from QBE Sun Prairie employee fund-raising efforts and donation pledges.

Additionally, two Habitat for Humanity organizations serving Central Arizona and Tarrant County, Texas, have been presented with QBE Foundation grant checks to help in their missions to build, renovate and sell houses to low-income families. The Central Arizona chapter received an \$85,000 grant. The Trinity Habitat for Humanity group in Texas received a \$65,000 grant.

Meet the QBE Executive Team



Frank Dunn, SVP, Lender-placed Solutions

Frank Dunn is the executive responsible for QBE's lender-placed mortgage programs. Frank is accountable for this program's management and administration, with critical focus on compliance activities and product development. The lender-placed mortgage program consists of tracking, lender placement, insurance escrow services, loss draft services and other related activities associated with hazard, flood and wind insurance.

Before joining QBE, Frank held multiple senior positions with Balboa Insurance Group, including President of the Financial Institutions division, Chief Legal Officer and Corporate Secretary. That legal experience continues to serve him well, especially with QBE's dedication to transparency. "We understand the fluid,

dynamic regulatory environment that our clients face every day,” Frank said. “Our goal is to help them navigate through the issues that affect them, all while providing the best service possible for their customers.”

Along with a busy work life, Frank has a lot going on outside the office, as well. He and his wife, Kristin, celebrate 20 years of marriage this year. That “merger” created three children: Lauren, 16; Connor, 14; and Aidan 5. Frank’s weekends are busy supporting his children’s activities; including helping to coach their sports teams.

Frank is frequently on the road visiting colleagues and clients throughout the country. Recent trips include travel to Arizona, Iowa, Washington and Texas. One of his trips to Texas was to attend the 2013 MBA Servicing Conference. “The conference was great,” Frank said. “It is an excellent opportunity to meet with clients and meet new people.”

New leader for QBE North America. On April 2 David Duclos will become the President and CEO of QBE North America, taking over for John Rumpler, who is leaving the company. With his 30-plus years of experience in the insurance industry, David will no doubt hit the ground running. His most recent position was CEO of XL’s Insurance Operations.

In Closing...

We appreciate your trust in us and part of how we sustain our partner of choice status is maintaining a strong industry presence. As a long-standing partner of the MBA, QBE attended the 2013 MBA Servicing Conference as a Diamond Sponsor. Many of the featured speakers this year paralleled QBE’s dedication to compliance and regulatory issues – several hailed from the CFPB and Freddie Mac. We thought the conference was a great success and we’re looking forward to participating in the MBA’s 100th Annual Convention & Expo later this year.