United States Senate
WASHINGTON, DC 20510

December 5, 2025

The Honorable William J. Pulte
Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Dear Director Pulte,

We appreciate your leadership at the Federal Housing Finance Agency (FHFA) and your commitment to strengthening the housing finance system for American families.

As Senators representing states with rural communities, we are particularly focused on ensuring the availability of effective and diverse options in the homeowners insurance market. Recent Enterprise Seller/Servicer requirements would impose a one-size-fits-all insurance standard that does not reflect our states' markets. This is why we are respectfully urging you to fully rescind these requirements.

As you know, Fannie Mae issued an update to Selling Guide B7-3-02, "Property Insurance Requirements for One-to Four-Unit Properties," on February 7, 2024.[1] There is parallel guidance from Freddie Mac issued in February, 2024 and May, 2024.[2] Guidance from Freddie Mac and Fannie Mae (the Enterprises), at FHFA's direction in the last Biden administration, would formally prohibit Actual Cash Value (ACV) insurance policies for loans acquired or guaranteed by the Enterprises. This would mandate the most expensive Replacement Cost Value (RCV) coverage for Enterprise-eligible single-family mortgages nationwide. This generates significant challenges for the families we represent.

RCV coverage pays the amount needed to repair or replace damaged property, with no deduction for depreciation-related factors.[3] A roof with significant wear, for example, is treated as a new roof for the purposes of RCV insurance. But in our states, housing markets and would-be

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[1] Fannie Mae, *Selling Guide* B7-3-02, Property Insurance Requirements for One- to Four-Unit Properties (updated Feb. 7, 2024) (originally clarified Dec. 14, 2022) (requiring hazard policies to settle losses on a replacement cost basis and stating that policies settling on an actual cash value basis are "not acceptable") (current as of Oct. 31, 2025).

[2] Freddie Mac, *Single-Family Seller/Servicer Guide* § 4703.2 & Seller/Servicer Industry Letters (Feb. 2024 & May 2024) (requiring claims to be settled on a replacement cost basis and stating that policies settling on an actual cash value basis, or otherwise limiting settlement below replacement cost, are not eligible; pausing certain enforcement in May 2024 but retaining the prohibition on ACV) (current as of Oct. 31, 2025).

[3] Nat'l Ass'n of Ins. Comm'rs, What's the Difference Between Actual Cash Value Coverage and Replacement Cost Coverage? (Jan. 2, 2025), https://content.naic.org/article/whats-difference-between-actual-cash-value-coverage-and-replacement-cost-coverage (defining RCV as coverage that pays to repair or replace damaged property using materials of "like kind and quality," without deduction for depreciation).

homebuyers are diverse, not uniform. Homes in our states have striking differences in age, value, weather exposure, and even appraised valuations that fall under or soar over reconstruction costs. For some of these homes and homeowners, ACV insurance is a far more appropriate coverage at a preferable cost point. Prohibiting ACV insurance then gives consumers fewer options, leaving them with higher premiums and insurance policies that may not fit what it insures; in turn this will drive many of our constituents out of the Enterprises' eligible mortgage market entirely.

Moreover, we know that ACV policies are the only show in town for many rural markets. Industry groups from the American Farm Bureau Federation, regional mutual insurers, independent agents, and mortgage servicers warned FHFA in 2024–2025 that the Enterprises' updated guidance contradicts policies in "the vast majority of states" where lenders and servicers have historically accepted ACV roof coverage as the only affordable option for rural and higher-risk properties after national carriers reduced their presence.[4] Prohibiting those products from eligibility under GSE standards risks cutting off the last viable coverage option for families in our states. This creates an artificial, unnecessary barrier to home ownership. Additionally, it flies in the face of our nation's proud history of State-based insurance regulation, wherein we trust our state insurance Commissioners to scrutinize insurance products to protect consumers, not the Enterprises.

We understand that this guidance was an attempt to prevent the Enterprises from engaging in higher risk and formalize these loans for the secondary markets that these financial instruments pour into. These are admirable goals. But this guidance does not accomplish either aim. It shrinks the market for acceptable hazard insurance and unfairly raises the price tag on many houses that our constituents want to call home. Since its initial publication, the Enterprises' guidance has inappropriately resulted in the private capital market reducing the overall investment capital available for residential mortgage financing, including for low and moderate income families—directly in contravention to stated goals of the Enterprises.[5]

We believe consumers should have access to a range of insurance products that reflect their needs, circumstances, and local markets. By mandating only one product type nationwide, the Enterprises limit consumer choice, reduce competition, and impose higher costs on borrowers, particularly those in rural America. We understand that this is guidance that your administration inherited.

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[4] Independent Insurance Agents & Brokers of America (Big "I"), Letter to the FHFA re: Enterprise Hazard Insurance Requirements (May 2024); Mortgage Bankers Ass'n et al., Joint Letter to the FHFA re: Enterprise Hazard Insurance Requirements (May 2024) (warning FHFA that the Enterprises' updated guidance "explicitly deem[s] actual cash value (ACV) coverage to be unacceptable," even though ACV/ACV–roof policies are often the only affordable coverage available in many rural and higher-risk markets after national carriers exit).

[5] 12 U.S.C. § 1716 (Fannie Mae Charter Act) ("provide stability in the secondary market for residential mortgages," "respond appropriately to the private capital market," "provid[e] ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing," and "promote access to mortgage credit throughout the Nation … including … rural areas and underserved areas"); see also 12 U.S.C. § 1451 note (Freddie Mac Charter Act § 301) (stating substantially identical purposes for Freddie Mac).

We respectfully urge you to revisit this guidance to ensure ACV policies are still accessible to our constituents, where permitted under state law and consistent with sound underwriting practices. Doing so will preserve choice, protect affordability, and reflect the diversity of markets across the country while still ensuring the Enterprises remain financially sound.

Sincerely,

Eric S. Schmitt
United States Senator

John Curtis
United States Senator

Pete Ricketts
United States Senator

Bill Hagerty
United States Senator

Ted Budd
United States Senator

Ashley Moody
United States Senator

Katie Boyd Britt
United States Senator

John Cornyn
United States Senator

Roger Wicker
United States Senator

Kevin Cramer
United States Senator

Steve Daines
United States Senator

Deb Fischer
United States Senator

Marsha Blackburn
United States Senator

Jon Husted
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Tim Sheehy
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Todd Young
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Mitch McConnell
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Jim Banks
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Bernie Moreno
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