

Subject: Loans in Areas Having Special Flood Hazards: Interagency Questions and Answers Regarding Flood Insurance

To whom it may concern:

I would like to submit the following questions and comments for clarification and consideration during the comment period. Please provide guidance and examples in the final issuance of the Q&A's regarding Flood Insurance.

Comment #1: In reference to Q&A #24 and the amount of flood insurance coverage required on a multi-story condominium it states in part that a lender must require a borrower whose loan is secured by a residential condo unit to "Ensure the condominium owners association has purchased an NFIP Residential Condominium Building Association Policy (RCBAP) covering either 100 percent of the insurable value (replacement cost) of the building.

Question 1: Currently, FEMA law only requires the insurance company to show the buildings replacement cost value number and the number of units on the Declarations Page of each RCBAP policy. For example, \$15,000,000 and 50-units. What happens when the insurance company and/or insurance agent refuses to show or indicate a percentage amount, such as, 100% replacement cost of insurable value on the RCBAP policy? Does the replacement cost value number shown on the policy, such as, \$15,000,000 mean it's always covered for 100% when not specifically indicated? What does the replacement cost value number represent from an insurance company stand point 100%, 90%, 85%, 80%, etc? Please explain how the regulatory agency will treat this situation during an examination and can the bank require a percentage amount to be shown on the RCBAP?

Question 2: What happens when the insurance company only shows the flood coverage limit on the policy and does not indicate the replacement cost value for flood coverage purposes and vice versa? Would this be an acceptable policy? Please address the proper course of action the bank should take.

Question 3: What happens when the insurance company shows a large disparity between the hazard replacement cost property coverage and the flood replacement cost property coverage on the RCBAP? For example, the property coverage indicates a RCV of \$30,000,000 and the flood coverage indicates a RCV of \$15,000,000. Which replacement cost value does the bank base it calculation on? Please provide regulatory guidance and how this situation will be treated during an examination. Provide an example in the Q&A's, if possible.

Question 4: I have recently seen the wording 100% co-insurance being shown on the RCBAP and the insurance agent is stating it means 100% replacement cost value. Is this terminology acceptable by the regulatory agency as 100% replacement cost value and how will it be treated during the examination?

Comment #2: In reference to Q&A #28 and the how the RCBAP co-insurance penalty is determined. It appears a lender must have both the replacement cost value and the actual amount of insurance carried in order to calculate if a co-insurance penalty will apply.

Question 1: How can the bank determine what the actual co-insurance penalty will be, if either the replacement cost value or actual amount of insurance is missing on the RCBAP? Please explain what the expected course of action a bank should take?

Comment #3: In reference to Q&A #71 and how the lender maintains the record of receipt by the borrower of the notice.

Question 1: What does “Record of receipt “mean and how is this defined by the regulatory agencies? How is this requirement going to be enforced by the FDIC during an examination? Please explain and define in the Q&Q’s.

Please feel free to contact me at (305) 569-5625 or (305) 569-5988.

Craig Y. Epps

Compliance Officer

Ocean Bank