

## Public Comments on Loans in Areas Having Special Flood Hazards

Title: Loans in Areas Having Special Flood Hazards

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Comment: I appreciate the opportunity to comment on your proposal. I have the following recommendations:

The proposal under 339.5(a)(1)(ii) excludes certain loans from the escrow requirement. One exclusion is for a borrower that is escrowing for flood insurance on the same property through another loan. This will be difficult to verify at origination and becomes even more complicated during the life of the loan, especially if the first lien is paid off. It would be beneficial to have a blanket exemption for secondary liens. Also, escrows for revolving lines would be a problem since our systems are not setup to handle it for these types of loans. It would be costly to make system changes to allow this when the number of affected loans would be small. So, I ask that you exclude home equity lines of credit as well.

Regarding the effective date of the escrow requirement (339.5(a)(2)), I would like another option that would allow us to convert all affected loans on a single date. This would be less burdensome for our staff and ensure that we do not inadvertently miss a loan that renews at a later date.

I ask that the definition for private flood insurance be amended. The current definition includes a provision that coverage "is at least as broad as the coverage provided under a standard flood insurance policy under the NFIP." This will be extremely difficult for a lender to determine. We do not have the necessary expertise to make that conclusion. I ask that a provision be added that allows the lender to rely on the insurer's certification that the policy's coverage meets this standard. Even better would be to allow a lender to rely on the insurer's certification that they meet the definition under 339.2(i).

Regarding the force place rules, I ask for clarification on the following:

- Does proof of insurance, as required to be provided by the borrower, trigger a potential rebate beginning on the day it is purchased, or after the 30 day waiting period, or upon receipt by the bank (for instance, if the borrower does not provide evidence of coverage for several months, even though it is purchased)?
- If a borrower obtains insurance before the lender force places it, but the waiting period creates a gap, is the lender required to force place for the gap period?

- Can a lender send the 45 day notice prior to actual expiration of current policy, avoiding any uninsured gap?
- Can a lender force place flood insurance at the expiration of the current policy, but not charge the customer until the end of the 45-day notice period?

Lastly, I ask that you please add a section to the regulations that explicitly states the requirements for the renewal of force placed flood insurance. This has long been an area for miscommunication and errors because it is not covered anywhere in the current regulation. Specifically, I ask for guidance on the following:

- Notice requirements – Is it permitted to send one notice advising of the renewal and the amount of the premium that will be charged? Is there any specific timing required, such as 45 days? Or may the coverage be automatically renewed and a letter sent after the fact?
- Coverage – Are I required to re-evaluate the coverage amount at renewal? If I have to increase the coverage amount, what notice, if any, is required to be sent?

Other areas that you might consider addressing in the final version:

- How to evaluate the minimum required coverage when there are multiple properties (some in a flood area and some not) securing the loan? Do you include the full loan amount or can you prorate it?
- What is a “reasonable time” for giving the flood notice before closing? Ten days seems to be the standard, but if the borrower already has adequate flood insurance coverage could you close on the same day?
- Model language for force placement notices would be very useful.