



December 9, 2013

**VIA EMAIL: comments@FDIC.gov**

Mr. Robert E. Feldman, Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Re: FDIC – Loans in Areas Having Special Flood Hazards

Interagency Flood Insurance, 3064-0129 – Proposed Rule to implement certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 regarding acceptance of private flood insurance, escrowing flood insurance payments, and force-placement of flood insurance.

Dear Mr. Feldman:

SCBT is a South Carolina based community bank with more than 140 locations in 19 South Carolina counties, 12 Georgia counties and 4 North Carolina counties. The Bank has provided financial services for more than 79 years including real estate loans, a moderate percentage of which are located in Special Flood Hazard Areas [SFHAs]. As such, SCBT offers the following information relative to the proposed rule amendments to Part 339 – Loans in Areas Having Special Flood Hazards.

**Require Flood Insurance Premiums/Fees Escrow:**

SCBT appreciates the regulatory agencies' clarifications concerning (1) exclusion of commercial loans from escrow even if secured by residential real estate, (2) escrow account information/requirements for (a) junior lienholders and (b) transactions where flood coverage is provided by a policy purchased by a common interest community instead of the borrower. The Appendix B and C Notices for existing loans are welcome additions.

SCBT believes the timing proposed for complying with the escrow requirement for outstanding loans is appropriate, allows for staggered account set-up easing the bank's regulatory burden in this regard and the borrower's potential financial burden. SCBT

requests regulatory clarification on the following flood insurance escrow comments/questions:

- (1) If a borrower is currently paying for flood and/or hazard insurance on an automatic monthly draft directly to the insurance company, will a lending institution be required to advise the borrower this payment methodology must be stopped in favor of establishing an escrow account?
- (2) Can/must a lending institution follow RESPA escrow practices/rules [i.e. initial/annual statements, analysis, handling of shortage/surplus, etc.] even if the only item escrowed is flood insurance?
- (3) May a lending institution collect a cushion/reserve at any time during the flood escrow process? Example: Flood insurance premiums increase annually over collected amount. If so, how would this be facilitated?
- (4) Is the 90-days' advance notice designed to give borrowers sufficient time to "gather the necessary funds for the escrow" intended to include a cushion/reserve?

SCBT supports limiting escrows for a loan that becomes a designated loan after July 6, 2014 only when a borrower-purchased flood insurance policy is established and exclude instances in which a lender-placed flood insurance policy is established.

SCBT has no issue with allowing regulated lending institutions the option of complying with the escrow requirement earlier than the dates set forth in the proposal as long as this component is not mandated based on either institution size or number/percentage of portfolio real estate loans requiring flood insurance.

**Accept and Notify Borrowers of Availability of Private Flood Insurance:**

SCBT is not adverse to advising borrowers of the availability of private flood insurance nor of accepting same. A "safe harbor" would alleviate bank concerns in evaluating private flood policies if this can be handled efficiently/effectively. In this regard, regulatory clarification is requested on the following:

- (1) How will a lending institution ensure that the specifics noted for 'Private flood insurance' definition are met?
- (2) Will each definition component be noted on the declarations page? Within policy contractual language?
- (3) Will the State insurance regulator "safe harbor" [i.e. written determination that the policy meets the definition of private flood insurance] be required with each policy or insurance agent/broker/company?

**Amend/Clarify Force-Placement Requirements:**

SCBT is in agreement with the proposed amendment allowing regulated lending institutions to charge borrowers for the cost of premiums/fees incurred for coverage beginning on the date flood insurance lapsed or did not provide sufficient coverage amount. The term "lapsed" as used in the proposed amendment is consistent with the insurance industry's use of that term. SCBT currently has an internal practice to determine "insufficient coverage amount" date. In this regard, request the Agencies provide flexibility vs. enhancing/fine-tuning this term as long as the regulated lending

institution is consistent in their process. SCBT further appreciates the Agencies' recognition that the insurer is the responsible organization for insurance policy cancellations and amending the Act requiring regulated lending institutions/servicers only to notify the insurer to terminate and fully refund the borrower within the statute's timeframe.

SCBT appreciates the opportunity to comment on these rule changes to "Loans in Areas Having Special Flood Hazards." If additional information is needed or there are questions about any of the information in this letter, please contact Lesley Lampert, Senior Vice President, Compliance Risk Management.

Sincerely,

*Lesley Lampert*

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