MBA Massachusetts Bankers Association

December 10, 2013

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219
Docket No. OCC-2013-0015

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attn: Robert deV. Frierson, Secretary
Docket No. R-1462

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attn: Robert E. Feldman, Executive Secretary
RIN 3064-AE03

Farm Credit Administration, Regulatory Policy
1501 Farm Credit Drive
McLean, VA 22102-5090
Attn: Barry F. Mardock
RIN 3052-AC93

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Attn: Gerard Poliquin, Secretary of the Board
RIN 3133-AE18

RE: Notice of Proposed Rulemaking – Loans in Areas Having Special Flood Hazards

To Whom It May Concern:

My name is Ben Craigie and I am Director of Compliance and Training with the Massachusetts Bankers Association (MBA). The MBA appreciates this opportunity to provide commentary and feedback on behalf of our 170 member banks located throughout the Commonwealth of Massachusetts and New England relative to the joint Notice of Proposed Rulemaking (NPR) on Loans in Areas Having Special Flood Hazards.

While we have a number of serious concerns with the underlying statute, the Biggert-Waters Flood Insurance Reform Act of 2012, MBA generally supports the proposed rule, since much of the proposal implements the many requirements contained in the new statute. Our comments on the proposal, as well as our concerns with the overall changes to the federal flood insurance program and their impact on borrowers and banks are below.

<u>General Comments</u>

The MBA recognizes that the NPR came about due to statutory requirements from the Biggert-Waters Flood Insurance Act of 2012, signed into law on July 6, 2012. We believe the changes to the Special Flood Hazard Area (SFHA) and Availability of Federal Disaster Relief Assistance forms are reasonable in light of the statutory requirements. In addition, we generally support the statutory mandate included the exception for institutions with less than $1B in assets relative to the escrowing of premiums, however we believe that an extended implementation period – at least 12-18 months – is appropriate given the substantial changes required to many lender systems.

MBA also strongly supports the inclusion of a safe harbor that provides institutions protection if they decide to accept private flood insurance policies. As you know, one of the stated goals of the Act was to encourage additional private activity in the flood insurance marketplace, however most banks do not have the capability to determine whether a flood insurance policy meets the required standards. Creation of a strong safe harbor in the form of certification by a state insurance commissioner is essential in providing banks with the ability to accept these policies.

In addition, we strongly urge the agencies to work with the Federal Emergency Management Agency (FEMA) in developing industry guidance to implement the force-placement provisions of the rule, as this is an area that has a broad impact on lenders and borrowers. We also encourage you to work with FEMA to update the *Mandatory Purchase of Flood Insurance Guidelines*. The complexities of the flood insurance program continue to increase, and while many of the issues related to the issuance of flood insurance policies should be the responsibility of the insurance agents selling the policy, many times banks are the primary source of information on flood insurance for their borrowers. That is why an updated, clear and concise set of guidelines is essential for lenders to understand the recent changes to the program so they can effectively communicate them with their customers.

Related Concerns

MBA also notes its continued concern with the recent revisions to flood maps by the Federal Emergency Management Agency (FEMA) and subsidy expirations for older policies and homeowners. The new maps, and expired subsidies arose due to the passage of Biggert-Waters and have significantly affected consumers both within the Commonwealth and around the nation. Consumers have experienced rate shock due to their increased premiums. Furthermore, homeowners that never needed flood insurance are now being contacted by their banks and mortgage companies, indicating their property exists in an SFHA.

Not only will these statutory changes have a significant impact on borrowers, banks with portfolios of properties in coastal areas or other flood-prone regions will be affected. We strongly encourage the agencies to work with Congress and FEMA to address these issues.

Conclusion

As we stated above, the NPR generally executes statutory requirements, and doesn't place an onerous burden on the industry and consumers. It is the other parts of the Biggert-Waters implementation that have negatively impacted the flood arena. We respectfully urge the agencies to work with financial institutions as they work through properly identifying newly mapped homes, and resolving consumer premium defaults.

Thank you again for the opportunity to comment on the proposed rule and other more specific industry concerns. If you have any questions or need additional information, please contact me at (617)-523-7595 or via email: bcraigie@massbankers.org.

Sincerely,

Ben Craigie
Director, Compliance & Training