Badgerland FINANCIAL
Cultivating rural life.

1430 North Ridge Drive Prairie du Sac, WI 53578 P: (800) 356-2197 F: (608) 643-0116
badgerlandfinancial.com

December 26, 2014

Submitted via Electronic Delivery to:

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
regs.comments@occ.treas.gov

Barry F. Mardock, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090.
reg-comm@fca.gov.

Robert deV. Frierson,
Secretary Board of Governors of the Federal
Reserve System
20th Street and Constitution Avenue NW.
Washington, DC 20551.
regs.comments@federalreserve.gov

Gerard Poliquin, Secretary of the Board, National
Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428.
regcomments@ncua.gov

Robert E. Feldman, Executive Secretary Attention:
Comments/Legal ESS, Federal Deposit Insurance
Corporation
550 17th Street N.W.
Washington, D.C. 20429.
comments@FDIC.gov

RE: Loans in Areas Having Special Flood Hazards
RIN 1557-AD67, RIN 7100 AE-00, RIN 3064-AE03, RIN 3052-AC93, RIN 3133-AE18

Dear Sir or Madam,

Badgerland Financial is part of the Farm Credit System serving customers living in rural areas and communities such as farmers, ranchers and rural home owners. We appreciate the opportunity to provide comment to the Joint Agency Notice of Proposed Rulemaking to amend regulations regarding loans in areas having special flood hazards in order to implement certain provisions of the Homeowner Flood Insurance Affordability Act of 2014 (HIFAA).

Defining Terms

While section 13 of the Home Owners Affordability Act (HFIAA) amends the mandatory purchase requirement in the Flood Disaster Protection Act (FDPA) providing an exception for detached structures, it does not define residential property therefore placing ambiguity on when this exemption would apply.

We believe, and agreeably so, that the intent of this provision removes the requirement to obtain flood insurance on low value buildings relieving borrowers of the burden for un-necessary costs for insurance that provides very little value in return. However, we are unclear whether the intent of the provision would exclude all detached structures on property with a primary residence such as barns and other out buildings or only those that the lender deems to be part of the residential property. Would the detached buildings exclusion still apply if the residential structure in an SFHA is not a primary residence of the borrower but that of a family member or hired hands for the farm? Also, in many cases properties are often in multi zoned areas where some structures may be located in a SFHA; however others on the property are not. The provision does not specifically exclude detached structures in cases when the primary residential structure is not in a SFHA, but the detached structures are. Is the intent that those buildings would remain excluded?

We respectfully request that the agencies define the term 'Residential Property', therefore also clarifying the intent of excluding any structure that is part of any residential property but is detached from the primary residential structure. Without this clarity the intent of this provision to eliminate the need for borrowers to obtain costly insurance on low value buildings would be lost.

Additionally we request that the agencies do not condition the exemption for detached structures on the purpose of the loan as it should apply regardless of whether the loan is consumer or business purpose as long as the detached structure is not used as a residence.

We are also requesting guidance in the new rule regarding the calculation of insurable values for non residential structures that secure agricultural, business or commercial loans. In many cases these structures are of low value and would not be replaced or rebuilt in the event of a flood. The current guidance is not adequate in order for lenders to best determine the appropriate amount of flood insurance coverage in these situations.

Escrow Requirements

In an effort to best implement a policy to comply with the proposed requirement to escrow premiums and fees for flood insurance for any loans secured by residential improved real estate or a mobile home that is made, increased, extended, or renewed on or after January 1, 2016, we are requesting consideration in making the following clarifications.

Date of Implementation: We are requesting that the implementation date be clarified to 'applications' received on or after January 1, 2016.

(v) Non-Performing loans: We are requesting clarification of what occurs when a borrower becomes 90 days past due but subsequently brings their account current. Is it the intent of the agencies that this account would remain exempt from escrow and if so for what amount of time? Or, would the exemption be lifted until such time that borrower should again become 90 days past due?

Additionally we are asking for clarification on whether the requirement to provide borrowers the option to escrow flood insurance premiums applies to Non-Performing loans which are past due 90 or more days on January 1, 2016.

(vi) Loans with terms less than 12 months. We are requesting clarification for how the agencies intend for this exemption to apply to construction to permanent loans. We ask for consideration in clarifying that the construction phase be excluded from the escrow requirement, no matter the length of construction.

We again thank you for the opportunity to comment on this proposed rule and respectfully request that the FCA along with all other involved regulatory agencies take into consideration our comments prior to enacting the final rule.

Respectfully,

Terry A. McMahon

Terry A. McMahon
SR VP, CHIEF CREDIT OFFICER
BADGERLAND FINANCIAL