Missouri Bankers Association
207 E. Capitol Ave.
Jefferson City, MO 65102

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Sent via Agency E-Mail

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, S.W., Suite 3E-218
MAIL Stop 9W-11
Washington, D.C. 20219
Regs.comments@occ.treas.gov

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th and Constitution Avenue, N.W.
Washington, D.C. 20551
Regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Company
550 17th Street, N.W.
Washington, D.C. 20429
Comments@FDIC.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

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

Re: Loans in Areas Having Special Flood Hazards; RIN 1557-AD84; RIN 7100 AE-00; RIN 3064-AE27; RIN 3052-AC93; RIN 3133-AE40

Ladies and Gentlemen:

The members of the Missouri Bankers Association (MBA) appreciate the opportunity to comment on the proposal by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the National Credit Union Administration (the Agencies) to amend their respective regulations regarding loans in areas having special flood hazards.

I. Background and Summary of Comment

The enactment of the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) set in motion unprecedented change to the National Flood Insurance Program (NFIP) intended to restore the flood insurance program's financial solvency and sustainability. The law ushered in sweeping reform of the flood insurance premium rate structure, flood hazard mapping, and floodplain management and mitigation. At the same time, the law made significant changes to lender flood insurance compliance requirements.

As the Federal Emergency Management Agency (FEMA) and the Agencies began to implement Biggert-Waters, the full impact of these changes began to emerge. Implementation of well-intentioned statutory provisions threatened to make flood insurance unaffordable for some borrowers and to undermine many of the program goals Congress sought to advance. In a rare display of bipartisan legislative action on March 21, 2014, Congress enacted the Homeowners Flood Insurance Affordability Act (HFIAA) to address many of these unintended consequences.

As the Agencies promulgate rules to implement Biggert-Waters and HFIAA, we urge the Agencies to be mindful of this background, which clearly demonstrates a desire for a flood insurance program that works for both consumers and federally regulated lenders and servicers (collectively, lenders). Although many of the interpretive questions presented by Biggert-Waters were answered by HFIAA amendments, care must be exercised to write rules that will further effectuate Congress' dual objectives – establishing an affordable *and* sustainable federal flood insurance program.

To that end, the members of the MBA urge the Agencies to grant lenders broad discretion to apply section 13 of HFIAA to exclude from the mandatory purchase obligation low value, non-residential structures that are detached from a residential structure, regardless of the purpose of the loan secured by a residence. Congress clearly sought to address a common complaint of borrowers who use residential property to secure a loan- the requirement to purchase a separate policy to insure garden sheds and detached garages against flood loss. The MBA encourages the Agencies to avoid issuing "clarifications" and definitions that will limit unnecessarily the ability of customers to benefit from this provision.

We also suggest additional clarifications and changes to the proposed rules on mandatory escrow to ensure that escrow requirements do not inadvertently increase the cost of credit without advancing the Congressional goal of ensuring that borrowers maintain flood insurance over the life of their loan.

II. Recommendations for Implementation of HFIAA §13, the Exclusion for Non-Residential Detached Structures

Section 13 of HFIAA amends section 102(c) of the Flood Disaster Protection Act (FDPA) by adding the following exception to the mandatory purchase obligation:

> (3) DETACHED STRUCTURES.—Notwithstanding any other provision of this section, flood insurance shall not be required, in the case of any residential property, for any structure that is a part of such property but is detached from the primary residential structure of such property and does not serve as a residence.

In addition, section 13 amends section 5 of the Real Estate Settlement Procedures Act (RESPA) and requires the addition of the following disclosure to RESPA's Special Information Booklet:

> Although you may not be required to maintain flood insurance on all structures, you may still wish to do so, and your mortgage lender may require you to do so to protect the collateral securing the mortgage. If you choose not to maintain flood insurance on a structure and it floods, you are responsible for all flood losses relating to that structure.

Although the banking industry wasn't consulted about the legislative language used in section 13, we strongly supported the amendment's objective. The FDPA's requirement to insure *any* building – even a low value detached structure – that secures a designated loan adds considerably to borrowing costs while rarely providing value to borrowers. Because an NFIP policy insures only one building, a borrower must purchase a Dwelling Policy to insure the residence and a separate policy, a General Property Form, to insure any non-residential detached structure located in a flood zone on the property under the NFIP. Insurance premiums and deductibles for non-residential structures, however, are considerably higher than those for residential structures. Moreover, under a General Property Form loss is calculated on the depreciated value of the structure. This fact, coupled with the high deductibles applied to non-residential structures, often means that in the event of a flood loss a General Property Form policy may not pay out.

Unsurprisingly, borrowers are extremely irritated by the obligation to insure these structures and our members strongly supported any amendment that would give lenders the discretion to exempt low-value non-residential structures from the mandatory purchase obligation. In addition, our members welcomed the Agencies' announcement in June 2014 that HFIAA §13 was effective on enactment, so that they do not have to wait until regulations are finalized to permit customers to take advantage of this change in the law.

1. Lenders should have broad discretion to apply the detached structure exemption.

Although the banking industry would benefit from some clarification of HFIAA §13, we caution the Agencies against "clarifications" that supplant lender discretion in favor of definitions and rules that will add additional compliance challenges without customer benefit.

As discussed above, Congress amended Biggert-Waters in response to borrower concerns about the affordability of the new law's flood insurance premium rate structure. Thus, HFIAA reinstated grandfather status for many properties and repealed certain rate increases. In addition, HFIAA made other amendments to the FDPA intended to promote the affordability of federal flood insurance and to encourage borrowers to maintain flood insurance, including sections permitting monthly installment payment for premiums, optional high deductible policies for residential properties, and homeowner reimbursement for successful map appeals.

Although there is little legislative history to shed light on specific statutory provisions of HFIAA, these provisions underscore Congress' objective of establishing an affordable and sustainable flood program. We believe these goals should inform any effort to clarify section 13, and the Agencies should not limit its application to consumer purpose loans secured by a residence. We disagree with the suggestion in the Proposal that "the term 'residential' may refer not only to the type of property securing the loan, but also to the purpose of the loan." At best, the term residential is used to denote that the coverage is to protect the residential use of the encumbered structure, no matter what the purpose of the encumbering loan.

Nothing in section 13 suggests that the exemption should be limited by anything other than the type of property securing the loan- a residential structure. The purpose of the loan proceeds is immaterial. A borrower who uses his or her home to secure a business, commercial or agricultural purpose loan faces the same affordability challenges when forced to insure a low-value detached structure as a borrower who uses the collateral to secure a residential mortgage or other consumer purpose loan. Moreover, bankers should not be placed in the difficult position of explaining to a borrower that a qualifying detached structure, which is not required to be insured as a condition of a residential mortgage transaction, must be insured if the bank takes a second lien on the same residential property to secure an extension for credit for business, commercial or agricultural purposes. From the borrower's perspective, the purpose of the loan is immaterial.

On the other hand, there are detached structures that have significant value for which it is in the interest of both the bank and borrower to insure the building. The statement, added to the Special Information Booklet, "[Y]our mortgage lender may require you to [purchase a flood insurance policy] to protect the collateral securing the mortgage" clearly expresses Congress' intent for the decision about whether to offer a borrower the opportunity to use the exemption to be at the discretion of the lender. Accordingly, each bank should be free to exercise this discretion and individually establish criteria to guide determinations about when to require flood insurance for a qualifying detached structure. In addition, we urge the Agencies to confirm either in the supplemental materials to the final rule or interagency exam procedures that examiners are to give deference to reasonable determinations regarding the application of the exemption that are made in accordance with a bank's collateral risk management policy.

2. Defining "residential property"

The Agencies request comment on how they should define the term "residential property." The MBA believes that similar considerations should inform that decision; the definition should not impose limits on use of the exemption that were not intended by Congress. Instead, the members of the MBA encourage the Agencies to adopt a definition of residential property that focuses on the residential use of the structure – regardless of its nature or size – that is consistent with similar definitions in the FDPA and Regulation H. The term "residential property" should be broadly defined to encompass any residential structure, including single-family dwellings, two to four family dwellings, multi-family dwellings containing five or more residential units, and even mixed-use buildings as long as the primary purpose of the building is for residential purposes.

Adopting such a definition would be consistent with similar definitions in the FDPA and Regulation H. Within the context of escrow, the FDPA defines the term "residential improved real estate" as "improved real estate for which the improvement is a residential building." In rules written to implement the FDPA's escrow requirement, the Agencies concluded that the term should not be limited to single family residences, and defined "residential improved real estate" as "real estate upon which a home *or other residential building* is located or to be located" (emphasis added). Moreover, in Interagency Question & Answer 51, the Agencies confirmed, "For the purposes of the Act and the Regulation, the definition of residential improved real estate does not make a distinction between whether a building is single- or multi-family, or whether a building is owner- or renter-occupied."

The plain language of section 13 is consistent with an inclusive definition; it states, "[F]lood insurance shall not be required, in the case of *any* residential property, for any structure that is part of such property but is detached from the primary residential structure of such property…" (emphasis added). We believe that the adoption of an inclusive definition for residential property, modeled on the definition of residential improved real estate, would be consistent with the Congressional goal of promoting affordable and sustainable flood coverage. Doing so would ensure that the exemption is available, regardless of the kind of residential structure securing a loan, to be applied at the discretion of a lender to exempt low value detached structures that make little financial sense to insure. Our members report that such structures are not limited to garden sheds and garages associated with single family homes. Multi-family residential properties can also include low value detached garages or carports, sheds, and structures housing laundry or other equipment, which from the perspective of the lender and borrower may be appropriate candidates for an exemption from the mandatory purchase exemption.

3. Defining "serves as a residence"

The Agencies also note that there may be ambiguity as to when a detached structure that might qualify for the exemption "serves as a residence," thereby making it subject to the mandatory purchase obligation. The MBA agrees that it might be helpful for the Agencies to describe generally (either in the supplemental materials or in guidance) the features or facilities that, if present, could mean that a structure "serves as a residence," but we urge the Agencies to avoid defining the term in a rule that could supplant lender discretion.

Even a rule that broadly states that the presence of sleeping, bathroom, and kitchen facilities means that a detached structure "serves as a residence" and is subject to the mandatory purchase obligation could result in unnecessary interpretive questions. For example, "serves as a residence" could be interpreted as requiring a determination by the lender that the structure is, in fact, being used as a residence. Thus, the Agencies should clarify that the test is whether the structure is *designed for use* as a residence (i.e., it has sleeping, bathroom and kitchen facilities), not how the structure is used. Also, questions will undoubtedly arise as to what qualifies as "kitchen or bath facilities?" Does the presence of a sink and hotplate mean there are kitchen facilities? Is the presence of a sink and a toilet enough to constitute a bathroom? To avoid such debates, we suggest that the Agencies describe the types of facilities that if present, *could* render a detached structure a "residence," but clearly state that the Agencies will defer to the bank's good faith determination.

In addition, we urge the Agencies to confirm that there is no duty under the FDPA for a lender to monitor residential collateral to determine if an exempt detached structure is later remodeled and then "serves as a residence." Our members have little, if any, post-closing communications with borrowers on loans secured by residential property and do not inspect the premises. Therefore, it is unlikely that a lender would discover that a borrower has installed facilities that would require the re-classification of a structure from non-residential to residential. However, consistent with existing obligations under the FDPA, financial institutions recognize that if a lender becomes aware that a property should be reclassified, the lender would have a duty to inform the borrower of the obligation to insure the property and be prepared to enforce that obligation if the borrower fails to purchase a flood insurance policy.

4. Required use of the Standard Flood Hazard Determination Form

The Agencies have proposed an amendment of their existing regulation governing required use of the standard flood hazard determination form. The proposed amendment would clarify that a regulated lending institution need not perform a flood hazard determination for any properties or structures that are exempt from the mandatory purchase obligation. The proposal expresses the Agencies' belief that the clarification will prevent borrowers from being charged unnecessary flood hazard determination fees.

Although the banking industry agrees that customers should not be charged unnecessary determination fees, the proposed clarification misunderstands the timing and process of flood hazard determinations. Operationally, most lenders order a flood hazard determination upon receipt of a loan application; the order requests a flood hazard determination for the property address and includes all structures on the property. In fact, in many instances, it is the receipt of the flood hazard determination that alerts the lender to the existence of a detached structure on the property. On the other hand, when a lender is aware upon receipt of a loan application that the property contains a detached, non-residential structure, the structure typically has value. In these cases, the lender specifically directs that the flood hazard determination determine whether the structure is located in a special flood hazard area so that it can require the purchase of flood insurance and can order life-of-loan monitoring.

Accordingly, we urge the Agencies to confirm that a bank *may* obtain and charge a borrower for a flood hazard determination on a property address that has a detached structure that qualifies for the exclusion.

5. Issues presented by low-value structures located on property securing a commercial, business, or agricultural loan that is not secured by a residence

After the Agencies finalize the rules required by Biggert-Waters and HFIAA, the MBA urges the Agencies to reconsider the topic of low value structures, specifically low value structures that are located on property securing a commercial, business, or agricultural loan that is *not* secured by a residence. In

July of 2009, the Agencies proposed additional Interagency Questions and Answers on Flood Insurance (Interagency Q & As) to provide guidance to the industry on determining the appropriate amount of flood insurance under the FDPA and Regulation H, or the "insurable value" of a structure. Recognizing the problems presented by the requirement to insure a structure that would not be rebuilt (at all, or in its current form) for its "replacement cost value," the Agencies proposed two alternative valuation methods, the "functional building cost value" and the "demolition removal cost value."

When the Agencies finalized the Interagency Q & As in 2011, it withdrew these alternative valuation methods, believing that its guidance on insurable value rendered the alternative valuation approached unnecessary. The banking industry respectfully disagrees, and strongly encourages the Agencies to reconsider the issues presented by low value structures as part of a much needed review and restatement of interagency guidance on insurable value.

III. Recommendations for Implementation of the Mandatory Escrow Provision

Section 25 of HFIAA makes a number of amendments to Biggert-Waters' mandatory escrow provision. The members of the MBA strongly supported those amendments as necessary to ensure that escrow is required only for those loans and circumstances in which the consumer benefit outweighs the negative impacts on consumers and lenders. These amendments include: clarifying that mandatory escrow only applies to loans that are "originated, refinanced, increased, extended or renewed on or after January 1, 2016;" defining the term "outstanding loan" as a loan that is outstanding as of January 1, 2016; and exempting the following categories of loans from the mandatory escrow requirement:

- Commercial purpose loans secured by a residence
- Subordinate liens, if at the time of origination the first lien is properly insured
- Condominium, cooperative, and project development loans, under defined circumstances
- Home equity lines of credit
- Nonperforming loans, and
- Loans with a term of less than 12 months.

The Agencies have proposed revisions to their escrow regulations that are consistent with HFIAA §25. We support the proposed regulations, but suggest additional clarifications to ensure that the statutory escrow provision achieves its intended customer benefit.

1. The proposed amendment of the general escrow requirement

As stated above, HFIAA §25 amended the mandatory escrow provision to clarify that mandatory escrow only applies to a designated loan "originated, refinanced, increased, extended or renewed on or after January 1, 2016." The MBA supports the proposed regulatory text that substitutes the term "made" for the statutory term "originate." The substitution sensibly incorporates terms used consistently throughout Regulation H to describe the flood insurance "trigger" events—i.e., "making, increasing, renewing, or extending" a designated loan, so-called "MIRE" events.

In addition, we urge the Agencies to exercise their interpretive authority to tie implementation of the new requirement to *applications received* on or after January 1, 2016 that result in a designated loan being made, increased, extended, or renewed. In December of 2015 there will be applications in process that have been approved, priced, and documented as "non-escrow" loans. Under the proposed regulation, for those loans that are in the pipeline – but for one reason or another have not been closed before January 1, 2016 – the bank will have to ask the borrower to return to the bank so that the loan documentation and pricing can be changed to require the escrow of flood insurance premiums and fees. By clarifying that mandatory escrow is required for all applications received after the effective date of the statute, the Agencies can help consumers avoid this inconvenience and potential annoyance.

2. The exemption for a loan in a junior or subordinate position

HFIAA §25 exempts from mandatory escrow a loan "in a junior or subordinate position to a senior lien secured by the same residential improved real estate or mobile home for which flood insurance is being provided at the time of origination of the loan." The Agencies propose to implement this section with the following clarifications, "The loan is in a subordinate position to a senior lien secured by the same residential improved real estate or mobile home for which **the borrower has obtained** flood insurance **coverage that meets the requirements of [the mandatory purchase obligation].**"

The MBA supports that clarification, but also urges the Agencies to confirm that a lender does not have an obligation to monitor (and document) its lien position over the life of the loan to demonstrate that the loan qualifies for the exemption. Rather, a lender should be able to assume that the loan remains in a subordinate position, exempt from the obligation to escrow, unless the lender is notified that the first lien has been paid off or a statutory trigger occurs – a request by the borrower to increase, renew, or extend the loan. That request would result in a bank re-checking lien status, and if the bank discovered that the first lien had been paid off, the bank would initiate escrow, unless it qualifies for the small lender exemption.

3. The exemption for a nonperforming loan

Section 25 exempts "nonperforming loans" from the escrow requirement. We support the proposed clarification that a nonperforming loan for which the exemption is available should be defined as a loan that is 90 or more days past due. A loan's past due status, however, can and often does fluctuate as a financially distressed borrower makes, and misses, payments. Therefore, we ask the Agencies to confirm that once a designated loan is 90 days past due and qualifies for the exemption, it retains that status, even if the borrower makes additional payments.

Although a lender retains a lien on a non-performing loan (that is protected by a voluntary or force placed flood insurance policy as required by the FDPA), typically the lender is no longer billing the customer, and these non-performing assets have been moved from servicing systems to a recovery management accounting system that lacks escrow capabilities. Thus, Congress recognized that it would be a wasteful expenditure of resources to require lenders to add escrow capabilities to recovery management accounting systems when there is little or no prospect of receiving any payments. However, we urge the Agencies to confirm that receipt of payments on a non-performing loan (which may render the loan less than 90-days past due) will not result in a loss of the exemption.

4. The exemption for a loan with a term of less than one year

The MBA supports this exemption, which the Agencies have implemented with language identical to that of the statute. Loans secured by residential improved property with a maturity of less than one year are often originated for bridge financing or for a construction loan on a new home. Because the loan will mature before the flood insurance policy is due for renewal, the funds that would have been paid into escrow each month are unlikely to be disbursed to renew a flood insurance policy. Instead they will be returned to the customer, defeating the purpose of escrow.

The rationale that convinced Congress to exempt these loans from the mandatory escrow requirement applies with equal force to their extension as necessary to complete the project, provided the extension is also for a term of less than 12 months. It makes little sense to establish an escrow program in the middle of a loan and to collect payments that will be returned to the borrower rather than disbursed to renew the flood insurance policy. We encourage the Agencies to exercise their interpretive authority to clarify that the exemption applies to a "loan that has a term of not longer than 12 months which may be extended as necessary to complete the project, provided the extension does not exceed 12 months."

In addition, we urge the Agencies to exercise their interpretive authority to clarify that the exemption applies to construction-to-permanent loan financing, and the obligation to escrow begins when the permanent financing loan documents are executed and the loan is moved from a construction loan servicing system (which lacks escrow capabilities) to a mortgage loan servicing system (which will have escrow capabilities, unless the lender qualifies for the small lender exemption). It is not uncommon for construction loan financing to extend past 12 months to complete construction; indeed, many construction-to-permanent loan financing contracts have an initial term of 15 or more months.

5. The proposed model notice

The MBA supports the proposed addition of a new disclosure to the Notice of Special Flood Hazards and the Availability of Federal Disaster Relief Assistance (Notice of Special Flood Hazards) to inform customers about the potential requirement to escrow flood insurance premiums and fees. We agree that adding this disclosure to an existing notice will minimize compliance burden. We are concerned, however, that the language the Agencies have proposed suggests that escrow is mandatory for *all* loans secured by residential property located in a flood zone and does not reflect the exemptions that may apply. Thus, the proposed disclosure would not apply to an exempt loan and may generate unnecessary concern and confusion among consumers.

We suggest the following modifications to the proposed model language:

> Escrow Requirement for Residential Loans
>
> Federal law ***may*** requires a lender or its servicer to escrow all premiums and fees for flood insurance that covers any residential building or mobile home securing a loan that is located in an area with special flood hazards. ***If an escrow is required for your loan, your lender will notify you. In that event***, these the premiums and fees must be paid to the lender or its servicer with the same frequency as your loan payments for the duration of your loan ***as long as your residential building or mobile home remains in a special flood hazard area***, and will be deposited in an escrow account on your behalf to be paid to the flood insurance provider. Upon receipt of a notice from the flood insurance provider that the premiums are due, the premiums shall be paid from the escrow account to the insurance provider.

6. Optional escrow

HFIAA §25 added a new requirement to Biggert-Waters' escrow provision, a requirement for lenders to offer and make available to customers the option to escrow flood insurance payments and fees for loans that are outstanding on January 1, 2016. The MBA strongly supports the Agencies' determination that the option to escrow does not apply to loans that Congress expressly exempted from the escrow requirement. However, we urge the Agencies to clarify that the status of the loan as of the effective date of the escrow requirement, or January 1, 2016, should be dispositive for purposes of determining whether a lender is required to send the notice.

As discussed previously, if a customer's account is 90 or more days past due on January 1, 2016, it should be clear that the lender is not required to mail or deliver a notice informing the customer of the option to escrow, in the event the customer subsequently makes a payment which makes the account less than 90 days past due. Similarly, a bank should not have to monitor the lien status of existing loans after January 1, 2016 in order to provide those customers whose lien status changes with notice that they have the option to escrow. The burden and costs imposed by such a monitoring regime would outweigh significantly the incidence of consumer opting in to escrow.

7. The proposed timing of the notice informing customers of optional escrow

Some of our member banks that do not qualify for the small lender exemption report that they expect to be able to meet the proposed date, March 1, 2016, by which they must notify borrowers with qualifying existing loans of the option to escrow. In addition, we support the proposed requirement for a lender to establish escrow "as soon as reasonably practicable" after the lender or servicer receives the borrower's request. Establishing a specific time frame that must be observed regardless of the individual circumstances would present unnecessary operational challenges. As the Agencies are aware, the banking industry has a strong record of compliance with similar standards for responding to consumer requests to revoke a decision to "opt-in" to overdraft protection under Regulation E and to revoke consent to a card issuer's payment of "over-the-limit" transactions under Regulation Z. No greater specificity is necessary to assure establishment of an escrow account within a timeframe appropriate for the circumstances and legal constraints.

8. The proposed "transition rule" for lenders that outgrow the small lender exemption

Section 102(d) of the FDPA, as amended by §100209 of Biggert-Waters, exempts small lenders from mandatory escrow if:

1. The lender has less than $1 billion in assets, and
2. On or before July 6, 2012,
    - the bank was not otherwise required by state or federal law to escrow taxes, insurance premiums or fees, and
    - the bank did not have a policy of requiring the escrow of taxes, insurance premiums or fees.

To determine whether an institution qualifies for the exception, the Agencies propose that an institution may qualify if it has total assets of less than $1 billion as of December 31 of either of the prior two years. The MBA supports the proposed rule as it ensures that an institution exceeds the asset size threshold for a substantial period before requiring the institution to expend the significant resources necessary to establish a new escrow program.

For those institutions that no longer qualify for the small lender exception, the proposed rule would require the institution to escrow flood insurance premiums and fees for loans made, increased, renewed, or expired six months later. For example, if an institution no longer qualifies on January 1, 2018, it would be required to collect escrow payments for loans made, increased, renewed or expired on or after July 1, 2018. In addition, the lender would be required to provide all existing customers (with loans that do not qualify for one of the exceptions) the *option* to escrow by July 1, 2018.

We urge the Agencies to extend by an additional six months the implementation time-period for institutions that outgrow the small lender exception as the changes to be implemented are vast. In addition to the task of installing escrow software and training loan origination and servicing staff on the new system, implementation will require changes to origination, servicing, booking, and accounting policies, procedures, and software to ensure that the lender does not release escrow for flood insurance over the life of the loan. Notices and RESPA disclosures will also have to be created and sent to customers. Existing loans of customers who elect to escrow will have to be converted to escrow and an escrow analysis must be completed. Additional employees may need to be hired and trained to do this work and to handle the daily disbursements from escrow. In addition, in anticipation of an increased number of borrower inquiries and complaints – both at the initiation of escrow and annually as borrowers have questions about their escrow analysis statements – additional customer service employees may need to be hired and trained. Finally, in smaller communities, the bank may be implementing a system that is unfamiliar to local attorneys or other settlement service providers and will need to spend time training these outside participants in the transaction.

These summary descriptions do not adequately describe the full and detailed nature of the work to be accomplished, but they should underscore the fact that the work that needs to be done cannot be completed within six months of an institution losing small lender status. Thus, the members of the MBA urge the Agencies to grant these institutions twelve months to begin to comply with the escrow rule following the loss of small lender status. In other words, the lender would be required to escrow flood insurance premiums and fees for loans made, increased, renewed or expired on or after January 1 of the calendar year succeeding the change in status. In addition, the lender would be required to provide all existing customers (with loans that do not qualify for one of the exceptions) the *option* to escrow by January 1 of the calendar year succeeding the change in status.

V. Conclusion

The MBA appreciates the opportunity to comment on the proposed amendments to the regulations regarding loans in areas having special flood hazards. Please contact me if you have any questions or wish to discuss any of these matters in more detail.

Sincerely,

Max Cook
President and CEO