Freddie Mac
We make home possible®

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By electronic delivery

September 21, 2009

Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, DC 20219
Regs.comments@occ.treas.gov
OCC Docket No. OCC-2009-0014

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, DC 20552
OTS Docket ID. OTS-2009-0005
Regs.comments@ots.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, N.W.
Washington, DC 20551
FRB Docket No. R-1311
Regs.comments@federalreserve.gov

Gary K. Van Meter, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090
FCU RIN No. 3052-AC46
regcomm@fca.gov

Robert E. Feldman, Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
FDIC RIN No. 3064-ZA00
Comments@FDIC.gov

Mary Rupp, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
NCUA RIN No. 3133-AD41
regcomments@ncua.gov

Re: Loans in Areas Having Special Flood Hazards; Interagency Questions and Answers Regarding Flood Insurance; Notice

Dear Sir or Madam:

Freddie Mac appreciates the opportunity to comment on the *Loans in Areas Having Special Flood Hazards; Interagency Questions and Answers Regarding Flood Insurance; Notice*[1] (the "Interagency Questions and Answers") published by Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Farm Credit Administration, and the National Credit Union Administration (collectively, the "Agencies"). The purpose of the Interagency Questions and Answers is to provide guidance to help financial institutions meet their

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[1] 74 Fed. Reg. 35914 (July 21, 2009).

responsibilities under the National Flood Insurance Reform Act of 1994 ("NFIRA") and implementing regulations.

Freddie Mac was created by the Congress to bring liquidity, stability and affordability to the nation's residential mortgage markets. We fulfill our mission by purchasing mortgages in the secondary market and securitizing them into mortgage-related securities that can be sold to investors. We do not originate loans in the primary residential mortgage market.

The primary purpose of flood insurance is to provide protection for borrowers whose homes have been destroyed or damaged by a flood. Because floods are the most frequently occurring natural disaster in the United States, flood insurance is an important financial protection. Freddie Mac believes lenders should be required to maintain adequate flood insurance coverage at all times during the life of the mortgage to protect against the adverse financial and other consequences of floods.

Freddie Mac supports the Agencies' efforts to provide clear guidance on federal flood insurance requirements to financial institutions and the public and we believe the Interagency Questions and Answers provide needed clarity. We believe the Agencies should revise the proposed answer to question 61 in the Interagency Questions and Answers to clarify the importance of having adequate flood insurance coverage in place at all times during the life of the mortgage.

The NFIRA requires Freddie Mac to implement procedures reasonably designed to ensure that any mortgages we have purchased, which are secured by properties located in designated flood zones, have at least the statutory minimum amount of flood insurance coverage during the full term of the mortgage. Freddie Mac's Single-Family Seller/Servicer Guide[2] requires servicers to maintain flood insurance coverage for single-family properties *at all times* during the term of the mortgage. This requirement to maintain continuous flood insurance coverage is consistent with insurance practices in other areas, such as fire and wind.

The Agencies' proposed answer to question 61 states that a lender or its servicer must purchase flood insurance on behalf of the borrower if the borrower fails to purchase such insurance within 45 days after receiving notification from the lender. The Agencies' proposed answer to question 61 further provides that where there is a brief delay on the part of the lender in obtaining flood insurance, the Agencies expect the lender to provide a reasonable explanation for the delay.

Freddie Mac is concerned that this proposed answer could result in the unintended consequence of allowing properties in designated flood zones to be uninsured or underinsured during the 45-day notice period in which the borrower may renew or obtain new or increased flood insurance coverage. Allowing this gap in flood insurance coverage would expose the borrower to significant financial risk associated with the repair and replacement of a home damaged by a flood during this period. For this reason, we recommend revising the proposed answer to clarify that flood insurance coverage is required *at all times* during the term of the mortgage.

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[2] The *Single-Family Seller/Servicer Guide* is one of the Purchase Documents that is incorporated by reference into, and constitutes a part of, each Purchase Contract with a seller/servicer.

Thank you for considering Freddie Mac's views. Please contact me if you have any questions or would like any additional information.

Sincerely,

Ray Romano
Executive Vice President
Chief Credit Officer