From: Kim Miller [mailto:kkmiller@lyonsstatebank.com]
Sent: Thursday, December 01, 2011 10:19 AM
To: Comments
Subject: RIN 3064-ZA00

RE: RIN# 3064-ZA00

I would like to comment regarding your flood Q&As released October 17, 2011.

Timing of Notices and Force Placement:

The flood insurance policies allow a 30 day grace period after the expiration of the policy. In order to continue adequate coverage of flood insurance for customers, I would request consideration to allow an institution to notify a customer 15 days in advance of the expiration of the policy, and be able to force place on the 45th day which would be the expiration date of the customer's original policy. This will allow lender to pay the premium and keep the policy in place and provide continual insurance coverage for the customer. The premium can be added into the note as allowed by the loan contract.

Most loan contracts allow for force placement of insurance. Lenders will need to read their documents to verify. If the contracts do not allow this, the lender may need an additional agreement.

This would apply only to those policies which are expiring. For new properties that are added to a flood zone because of a change in the map, the bank would need to provide the 1st notification and allow 45 days to force place.

Type of Coverage Required if a Bank Force Places:

I do question the type of coverage that is required if a lender force places. If the bank is able to pay the premium on the original policy purchased by the consumer before the grace period expires, then the consumer would have the same coverage they purchased. But if the lender has to obtain a policy from a 3rd party, some of these policies provide coverage only for the lender and not the consumers. We are a small bank and we have found it is difficult to find sources to provide the flood insurance. Recently I was in contact with a company which would provide coverage for both the consumer and the bank but because we would have less than 5 force placed policies per year, they would assess the bank a $500 charge annually. Another company we work with now provides coverage only for the bank. Our bank has 3 polices we force place on now. Please provide additional clarification on what is required and possible recommended sources.

Question on the Federal Register Release:

I also would question the information you provided in footnote 6 and footnote 10 of the October 17, 2011 Federal Register 64175. Could explanation be provided on the statement which says “payment is settled at RCV if the dwelling is insured for at least the lesser of 80 percent of the dwelling’s full RCV. Maybe I am confused by this statement, but we do not require 80 percent coverage for flood insurance but follow the guidelines for coverage amounts to be the lesser of outstanding balance, insurable value or maximum limit of coverage under the NFIP.

It is very important for our consumers to be protected by flood insurance if their homes are located in a flood zone. We would like to make this process amicable to both the lender and the consumer.

Thank you for your time in allowing me to comment.

Sincerely,

Kim Miller, Vice President
The Lyons State Bank
Lyons KS