



Credit Union National Association

cuna.org

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December 1, 2011

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Comments on Flood Insurance, Interagency Questions & Answers
RIN 3133-AD41

Dear Mrs. Rupp:

This comment letter represents the views of the Credit Union National Association (CUNA) on three new interagency questions and answers (Q&As) regarding flood insurance issued by the National Credit Union Administration (NCUA) and other federal financial regulators (Agencies). By way of background, CUNA is the largest credit union advocacy organization in this country, representing approximately 90% of our nation's 7,400 state and federal credit unions, which serve about 93 million members.

CUNA generally agrees that the three proposed interagency Q&As regarding force placement of flood insurance are consistent with the National Flood Insurance Reform Act of 1994 (Act) and its regulations. These interagency Q&As last updated in 2009 serve as guidance on flood insurance requirements for credit unions and other financial institutions, agency personnel, and the public. The three proposed interagency Q&As are intended to provide clearer guidance about the force placement of flood insurance, to clarify additional areas and avoid potential misunderstandings.

Credit unions and other financial institutions are currently required to force place flood insurance when a borrower has inadequate or lapsed flood insurance during the term of the loan that must have flood insurance. If a credit union determines the borrower has inadequate or lapsed flood insurance, the credit union must notify the borrower that adequate coverage is required. If the borrower does not provide evidence of adequate flood insurance coverage within the 45-day notice period, the credit union must arrange for the insurance on the borrower's behalf and may charge the borrower for the cost of the insurance.



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Under current Q&A 62, a lender that provides flood insurance during the 45-day notice period may not charge a borrower for any part of the 45-day notice period. However, we agree with the Agencies that as provided in proposed Q&A 62, a lender or its servicer should be allowed to charge a borrower for the insurance as long as certain conditions are met. Under the proposal, the borrower must provide express authority as a contractual condition of the loan, to be charged for the cost of flood insurance that is equivalent in coverage to a National Flood Insurance Program (NFIP) for any part of the 45-day notice period.

Proposed Q&A 60 would require a lender or its servicer to send a force placement notice to a borrower when flood insurance on the collateral has expired or is less than the amount required for the property. In addition, the proposed guidance recommends that the lender also advise the borrower when flood insurance is about to expire to maintain continuous coverage. We do not oppose this as a recommendation but do not think the lender should be required to provide a separate notice which is not required by the statute. The intent of the proposed guidance is to reconcile both the statutory requirement that the lender must send the borrower notice of inadequate or lapsed flood insurance, as well as the purpose of the statute to facilitate a lender's ability to ensure continuous flood insurance coverage. We do not object to proposed Q&A 60.

The proposal would require force placement of flood insurance if all these conditions are met: 1) the lender determines that the property securing the loan is located in an Special Flood Hazard Area; 2) flood insurance is available for the property securing the loan; 3) the lender determines that flood insurance coverage is not adequate or does not exist; and 4) after required notice, the borrower fails to purchase the appropriate coverage within 45 days. We agree this is consistent with the Act.

Thank you for the opportunity to comment on the proposed Q&As on flood insurance. If you have any questions concerning our letter, please feel free to contact Senior Vice President and Deputy General Counsel Mary Dunn or me at (202) 508-6733.

Sincerely,

A handwritten signature in blue ink that reads "Dennis Tsang". The signature is written in a cursive, flowing style.

Dennis Tsang
Regulatory Counsel