CORNING CREDIT UNION
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December 10, 2013

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: NCUA's Proposed Rule 12 CFR Part 760, Loans in Areas Having Special Flood Hazards

Dear Mr. Poliquin:

On behalf of the Management of Corning Federal Credit Union, I would like to take this opportunity to comment on the NCUA's Proposed Rule 12 CFR Part 760, which seeks to amend the current regulations pertaining to Loans in Areas having Special Flood Hazards in several areas, including: 1) requiring lending institutions to accept private flood insurance to satisfy the mandatory purchase of flood insurance, 2) requiring institutions to disclose the availability of flood insurance from private flood insurance companies, and encourage borrowers to compare flood insurance policies offered under the National Flood Insurance Program (NFIP) with policies offered by private insurance companies, 3) require regulated lending institutions to escrow premiums and fees for flood insurance for any residential loans, and 4) clarification that a lending institution may charge a borrower for force-placed insurance coverage commencing on the date a borrower's flood insurance policy lapses or provides insufficient coverage. These proposed changes are largely in response to the Biggart-Waters Flood Insurance Reform Act of 2012, which was passed by Congress and signed into law by the President on July 6, 2012. I wish to comment specifically on the NCUA's proposed imposition of the residential loan escrow requirements, as this provision would put an undue and onerous burden on the operations of Corning Federal Credit Union, and other credit unions of similar size.

By way of background, Corning Federal Credit Union is a $1.029 billion asset institution, serving over 87,000 members. We have offered first and second mortgage and home equity loans to our members for many years, as well as business and consumer loans.

Although we are supportive of most of the recommended changes as reflective of NCUA's desire to strengthen the quality of credit union loan portfolios during these times of economic turmoil and an uncertain real estate market, through assurance that secured

collateral is sufficiently protected via insurance coverage from floods and other hazards, we have serious reservations about the necessity and timing of the escrow provision.

We currently offer escrow to our members who have a first mortgage with Corning Federal Credit Union, and we have a seasoned and validated process in place through our internal staffing and operations as well as through dedicated functionality within our mortgage servicing system. To add the escrowing of flood insurance to this current process would be feasible within the timeframe specified in the proposed rule.

However, we also offer Home Equity/second mortgage products to our members, and these loans are run through a different servicing system and administered through a completely separate departmental operation. We do not currently offer escrow as an option or requirement on these types of loans. It is unclear how much time, staff, and resources it would take to implement a new process for escrowing these loans, whether our current Consumer Loan servicing platform can handle escrowing of Home Equity loans, and how many additional staff and resources will be needed to perform this function going forward. The compliance implementation date of July 1, 2014 is extremely aggressive given these factors, even considering that Corning currently escrows our mortgage loans. Many other credit unions are in a similar position to Corning and would be facing the same challenges were this proposed change take effect in 2014. For other comparably sized credit unions that may not escrow any of their loans, I can only imagine how much organizational time and resources would be needed to be expended to hit this compliance date.

This comes closely on the heels and in conjunction with numerous other compliance changes with impending deadlines in 2014 from NCUA, the Consumer Finance Protection Bureau, and other Federal agencies.

In addition to our concerns with the escrow provisions as noted above, it should not be underestimated the potential impact that sharp increases on flood insurance could cause to our members and to the housing sector at large. With the recent implementation of parts of the Biggart-Waters Act of 2012, we have already heard from members who were forced by their insurers at policy renewal to obtain new elevation surveys of their properties, at a substantial out-of-pocket expense, and then as a result of those surveys and the sunset of the National Flood Insurance Program experienced a dramatic increase in their annual flood insurance premiums, effective immediately. Over the next few years these types of increases may result in a decline in property values, an increase in economic hardship for residential property owners and potentially result in a significant increase in foreclosures and short sales. Impacts will be most heavily felt among landlords and investment property owners as they will be the ones carrying the burden of increased operational costs for their renters. All of this is eerily reminiscent of the all-too-recent housing crisis, from which this country is still struggling to emerge.

For the reasons cited above we would respectfully ask the NCUA Board to reconsider the proposed rule changes to Part 760 - Loans in Areas having Special Flood Hazards with respect to the new flood insurance escrow requirements.

Again, thank you for the opportunity to comment on the proposed revisions to the NCUA's Part 760 - Loans in Areas having Special Flood Hazards regulation. Should you have any questions regarding the contents of this letter, please contact me at (607) 962-3144.

Sincerely,

David Walker
Vice President of Lending