

December 10, 2013

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

RE: Comments on Loans in Areas Having Special Flood Hazards: RIN 3133-AE18

Dear Mr. Poliquin,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on Loans in Areas Having Special Flood Hazards. As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 139 Georgia credit unions that have over 1.9 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

The proposed notice of rulemaking issued collectively by the Agencies {the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Farm Credit Administration, and the National Credit Union Administration (NCUA)} implements requirements in the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) that a lending institution must accept private flood insurance. The proposal also addresses escrow requirements on flood insurance premiums and notice requirements in the Agencies' various flood insurance rules. GCUL generally agrees with most of the requirements in the proposal, however, we ask the Agencies to be mindful of placing additional regulatory requirements on credit unions and request that the Agencies extend compliance dates or provide waivers when an institution is unable to meet a compliance date.

We support the proposal to allow private flood insurance to satisfy the Flood Disaster Prevent Act's (FDPA) mandatory floor insurance requirements. We also support the proposal's requirement of written approval by a state regulator. This would alleviate the burden of determining the suitability of private flood insurance policies, currently being done by credit unions. This will make private insurance an appealing option for borrowers; which will be good for both the borrower and the lending institution.

GCUL supports the Agencies' consideration of an alternative private flood provision that would permit regulated lending institutions to accept, as satisfaction of the FDPA's mandatory purchase requirement, a flood insurance policy issued by a private insurer that does not meet the Biggert-Waters definition of private flood insurance as long as it falls within the general safe harbor for private flood insurance in

proposed section 760.3(c)(2). We support the proposed rule requiring credit unions to escrow all premiums and fees for flood insurance required for any loan secured by residential improved real estate or a mobile home, unless a statutory exception applies. However, we do request additional clarification for home equity lines of credit and other second liens.

Most often, credit unions do not possess information that allows them to determine the insurance status of loans. In order to facilitate escrow requirements, we believe that lien holders, insurance companies and homeowners should be required to indicate escrow status. This requirement would help credit unions track escrow status of these loans.

We would ask that the Agencies consider the following recommendations to help financial institutions meet escrow requirements: 1) The insurance declarations page should detail escrow status. 2) Changes in escrow status by lienholders should be reported to insurance companies; and 3) Insurance companies should be required to notify all lienholders and homeowners when informed of changes in escrow status.

Although we realize that we are asking for additional requirements (and we want to alleviate the additional burdens on credit unions), we feel these requirements would ultimately help lienholders track flood insurance status, which will make compliance with the provisions in this proposal less complicated for lenders.

GCUL would also like to request that NCUA clarify how credit unions are to address home equity lines of credit with a zero balance. The final rule should also clarify whether credit unions are required to monitor the current flood zone status of a property throughout the life of an open-ended loan, or only at the time of origination using the standard FEMA form prescribed in section 760.6(a).

For a last point of clarification, we ask the Agencies to review the escrow requirements that are contained within Regulation Z, Section 1026.35, to ensure there is as much consistency as possible between these escrow requirements and those that NCUA is contemplating under Biggert-Waters.

Credit unions will be required to start escrowing premiums with the first loan payment after the first renewal date of the borrower's flood insurance policy that occurs on or after July 6, 2014. The process for determining loans requiring escrow could be time consuming and will require credit unions to revamp their internal processes and programming. Credit unions will need more time to comply. Second mortgage may be especially problematic, considering the 90-day notice requirement. Therefore, a July 6<sup>th</sup> start date would not be enough time for credit unions to get into compliance with the new rules.

While GCUL supports the private flood insurance provisions in the proposal, we request that the Agencies closely examine the escrow requirement exceptions and timing issues. These issues will most likely cause hardships for many credit unions when complying with the requirements in the proposal.

GCUL appreciates the opportunity to present comments on behalf of Georgia's credit unions. Thank you for your consideration. If you have questions about our comments, please contact Selina Gambrell or Cindy Connelly at (770) 476-9625.

Respectfully submitted,

A handwritten signature in cursive script that reads "Selina M. Gambrell". The signature is written in black ink on a light-colored background.

Selina M. Gambrell

Compliance Specialist