REGIONS

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By electronic delivery to:

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Re: Loans in Areas Having Special Flood Hazards; "Docket ID OCC-2013-0015"; "FRB Docket No. R-1462; "FDIC RIN 3064-AE03"; "FCA RIN 3052-AC93"; "NCUA RIN 3133-AE18"

To Whom it May Concern:

This letter is submitted on behalf of Regions Financial Corporation[1] (Regions) in response to The Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, the Farm Credit Administration, and the National Credit Union Administration (collectively, the Agencies) publication of the Joint Notice of Proposed Rulemaking (NPR) on Loans in Areas Having Special Flood Hazards. Regions is appreciative of the opportunity to comment on this very important NPR. Specifically, Regions will be commenting on the proposed escrow requirements and the proposal that regulated lending institutions accept private insurance.

1.Regions Financial Corporation (NYSE:RF), with $117 billion in assets, is a member of the S&P 500 Index and is one of the nation's largest full-service providers of consumer and commercial banking, wealth management, mortgage, and insurance products and services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates approximately 1,700 banking offices and 2,000 ATMs. Additional information about Regions and its full line of products and services can be found at **www.regions.com**.

Private Insurance:
The Agencies' solicit comment on whether it is appropriate to include a provision in the final rules that specifically requires regulated institutions to accept only policies by private insurances that meet the statutory definition, and if included, what would be the effect of such provision on the availability of privately issued flood insurance.

1. Regions requests an additional safe harbor be included where reliance upon an insurer's endorsement is adequate to determine the policy meets the statutory definition of private flood insurance to satisfy the FDPA's insurance requirement. As currently written, it will be very difficult, if not impossible for an institution to determine if private policies meet the standard flood policy requirements (SFIP), such as the policy must be "at least as broad as a SFIP policy". Customers could be impacted by having their credit denied for flood policy technical interpretation issues, regardless of the financial strength of the borrower. In addition, to comply with the minimum requirements of private placement policies, consumers/businesses could be required to obtain coverage for events not affecting their specific properties (i.e. coverage for basement flooding on a slab built foundation). This could increase the policy's costs without providing benefits to the consumer/business.
2. With consideration for maintaining compliance with SFIP requirements, should changes occur in the SFIP requirements, consumers/businesses with active private placement policies would be required to: 1) obtain updated policies; 2) ensure the policies meet the SFIP requirements and 3) timely deliver the policies to financial institutions to avoid possible force placement actions. This could result in both financial and operational burdens to customers.

Escrow Requirements:

1. **Commercial Loans -** We agree with the Agencies' proposal that regulated lending institutions need not escrow flood insurance premiums and fees for loans that are an extension of credit for a business, commercial, or agricultural purpose even if secured by residential real estate and appreciate the Agencies' understanding of the need for this clarification.

2. **Junior Liens -** We also agree with the Agencies' proposal that in the example of junior liens, when a borrower has obtained flood insurance coverage that meets the mandatory purchase requirement and is currently paying premiums and fees into an escrow account that has been established by another lender, the institution need not establish another escrow account for the same purpose. However, as the proposal stands if the first lien holder is not required to or otherwise does not escrow flood insurance premiums the junior lien holder would be required to escrow.

   To bring additional clarification to junior liens, we are proposing the rule be taken a step further to exempt subordinate liens in all escrow scenarios and for the subordinate lien holders to continue the current practice at origination to insure that adequate flood insurance is in place taking into consideration all liens against the property. Because subordinate lien holders are listed as mortgagee/loss payee on the flood policy they are notified in the event of a lapse, and at that point, they will pursue force placement which ensures the property is covered for the life of the loan supporting the intent of the Congressional goal of life of loan coverage.

   The industry does not have a tracking mechanism to know post origination if the first lien holder does not escrow, stops escrowing, or in the case of a previously exempt institution, begins to escrow. For example, as the proposal stands if the first lien holder does not escrow due to being an exempt institution (as defined by $1B in total assets and not required as of the Act's date of enactment, July 6, 2012) and the subordinate lien holder is required to establish the escrow if at some future date, the first lien holder moves out of exemption status and begins to escrow as required, the harmful effect to consumers is that they will be doubled billed. In addition, the industry does not have a tracking mechanism to know when the first lien holder has been paid off and thus escrow has ceased. As the proposal is written, this scenario would require the subordinate lien holder to commence escrowing even when we have no way to identify when(or if) the first lien has been paid off. Furthermore, when a first mortgage is refinanced and the second is requested to be subordinated, additional processes will have to be developed to verify the first lien holder is escrowing with an unintended consequence of delaying the refinance process.

It is also unclear if privacy laws will allow this sharing of information among lenders. This would leave the junior lien holder no option but to begin collecting escrow payments causing escrow duplication with the cost of monitoring passed onto the consumers.

3. **Common interest Communities -** Regions agrees with the Agencies' proposal that regulated lending institutions need not escrow flood insurance premiums and fees when coverage is provided by a policy purchased by a common interest community, such as a condominium owner's association. However, we request confirmation that there is no obligation on the part of the lender to review the sufficiency of the master flood policy post origination.

4. **Timing**
    a. The Agencies' propose that for any designated loans made on or after July 6, 2014, the regulated institution must begin escrowing upon loan consummation. Please note that with final regulations still being determined, system solutions cannot be fully developed with software providers to insure their ability to comply with the Act. Nor is it feasible to expect financial institutions to enter into a contract for service without knowing final requirements. It is estimated the time to implement an escrow solution on a consumer platform that does not contain an escrow module or to convert loans to a servicing system with escrow functionality and expand that system to accommodate revolving Home Equity Lines of Credit (which vary dramatically from installment mortgages) is, at a minimum, eighteen months after the publication of final rules.
    b. With respect to designated loans that are "outstanding" on July 6, 2014, the proposed rule would require regulated lending institutions to begin escrowing 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. While this proposal offers some relief to the borrower, it does not address other concerns regarding outstanding loans as noted below:
        i. Regions' existing Home Equity contracts (HELOCs and HELOANs) do not include provisions requiring or permitting the establishment of an escrow account. Requiring the establishment of an escrow account when the documents do not provide for it could subject creditors to potential liability and increased customer complaints.
        ii. In the case of first mortgage customers, some borrowers have paid a fee to opt out of escrow. Requiring these existing customers to now establish an escrow account could subject creditors to potential liability and increased customer complaints.
        iii. If consumers maintain that they are not required to pay monthly escrow fees, because it was not a contractual term at loan origination, we would be forced to count the lack of escrow payment as a delinquency which in turn could lead to possible default, followed by foreclosure litigation.

5. **Other Considerations –** the proposed rules do not address the following types of loans and it is Regions' request to exclude these transactions from escrow.
    a. Non-performing loans – consumers are generally no longer making payments on loans that have been charged-off, are in bankruptcy or in foreclosure. For these transactions, Regions is no longer billing the customer and the loans reside on a recovery system that does not have escrow capability.
    b. Loans with maturities less than one year – these loans will mature before the flood policy is due for renewal and the funds paid into escrow will have to be refunded to the customer, defeating the purpose of escrow. This request includes construction loans which could exceed one year if extensions were to come into play.
    c. Loans with lender placed insurance – if the customer has had flood insurance forced placed Regions' will pay the flood insurance premium upfront and in the case of HELOCS pass the cost back to the borrower by increasing their outstanding balance due. Regions' request is to continue current practice as opposed to setting up escrow accounts for Home Equity lender placed premiums.

Conclusion

1. Regions requests an additional safe harbor be included where reliance upon an insurer's endorsement is adequate to determine the policy meets the statutory definition of private flood insurance to satisfy the FDPA's insurance requirement.
2. Regions request to exempt all Home Equity transactions, both lines and loans, new and existing as well as existing first mortgages from escrow.
3. If new transactions are outside of scope we request excluding outstanding Home Equity transactions (lines and loans), outstanding first mortgages and all subordinate liens to include the ongoing monitoring.
4. The request is to exclude from escrow non performing transactions, transactions with maturities less than one year (including construction loans in the event they exceed one year) and loans with lender placed insurance.
5. If any form of escrow is required for Home Equity products (lines or loans) the request is to delay implementation to eighteen months after the publication of final rules so that escrow systems can be designed, built and implemented, and procedures and personnel can be put in place to manage the process.

As an industry, we began to see the return of Home Equity lending production in 2013. With the proposed escrow regulation, the benefits of the Home Equity product(s) that include bank paid closing costs and customer flexibility will be changed and the cost to comply with the regulation will be passed along to the consumer, damping forward momentum. For existing customers, we perceive the escrow requirement to be confusing and frustrating and a setback to the work that has been done to restore consumer confidence in the financial system.

Regions is appreciative of the opportunity to comment on the proposed guidance. Thank you in advance for your consideration of these comments. If you have any questions please contact Sandra Howell at (205) 560-3237.

Sincerely,

Sandra Howell, Senior Vice President
Consumer Lending