



*League of Southeastern  
Credit Unions & Affiliates*

December 10, 2013

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

**Re: Comments on Joint Notice of Proposed Rulemaking to Amend Flood Insurance Rules  
RIN 3133-AE18**

Dear Mr. Poliquin,

The League of Southeastern Credit Unions & Affiliates (LSCU) appreciates the opportunity to comment on the joint notice of proposed rulemaking. The proposal issued by the National Credit Union Administration (NCUA) and four other federal regulatory agencies seeks to implement specified provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters Act) with respect to the treatment of private flood insurance, the escrow of flood insurance premiums, the forced placement of flood insurance, and the introduction of new and revised consumer notice forms and clauses concerning the availability of private flood insurance coverage and escrow requirements. By way of background, the League of Southeastern Credit Unions & Affiliates (LSCU) is one of the largest credit union advocacy organizations in the country. LSCU currently represents approximately 285 state and federal credit unions which serve the financial needs of more than 6 million members.

LSCU supports the primary purpose of the flood proposal which is to provide private flood insurance options for financial institutions to apply when addressing the need for flood insurance coverage by consumers. The fact that the agencies have issued a proposal such as this for comment indicates that NCUA and others recognize the importance of providing opportunities to credit unions in this important area that not only benefits the institution but also local communities with flood plain issues. We agree with this approach because it opens an avenue for consumer acquisition of private flood insurance previously closed to them and it allows credit unions and other mortgage lending institutions to make decisions that were otherwise prohibited.

LSCU supports amending the purchase requirement for flood hazard insurance to permit mortgage lenders to accept private flood insurance policies as satisfaction of the mandatory

**purchase requirement if the coverage provided by the private flood insurance satisfies the standards specified in the Biggert-Waters Act (the Act). The additional required discloses to be provided by lenders to borrowers informing them that flood insurance under the NFIP is available from private insurance companies or directly from the NFIP, flood insurance providing the same level of coverage as an NFIP policy may be available from a private insurance companies, and borrowers are encouraged to compare policies does not appear to be an issue that would have a negative impact on credit union mortgage lending operations. Therefore, we do not oppose their adoption.**

**In the proposal mortgage lenders and servicers will be required to establish escrow accounts for flood insurance premiums and fees for eligible residential, improved real estate or a mobile home, for any loan secured by the residential, improved real estate or mobile home for loans outstanding or entered into after July 6, 2014. LSCU is not opposed to this revision of the Act. Our review of the proposal indicates that many member credit unions will be exempt from the escrow requirement if (1) the credit union has less than \$1 billion in assets, and (2) as of July 6, 2012, the credit union was not required by federal or state law to escrow taxes or insurance for the term of the loan, and it did not have a policy to require escrow of taxes and insurance.**

**This escrow provision if adopted will be implemented following the publishing of escrow regulations prior to July 2014. We would like to see this effective date extended to later in 2014 to provide for a more complete implementation.**

**The issue of forced placement of flood insurance coverage has long been a point of contention for consumers and lenders alike. The Flood Act has long required a credit union mortgage lender or its servicer to notify a consumer if the flood insurance coverage on improved real estate or a mobile home serving as collateral for the consumer's loan has expired or provides less than adequate amount of coverage for the particular property. The notice has served as notification to the consumer of the need to purchase flood insurance. In those instances where the consumer has failed to purchase flood insurance coverage within 45 days after receipt of the lender's notification, flood insurance coverage has been purchased on behalf of the consumer.**

**LSCU agrees with the process of charging the consumer for the cost of premiums and fees incurred to respond to instances of delinquent or nonexistent flood insurance coverage for properties located in designated areas. LSCU supports revisions made to the Flood Act that provide that the premiums and fees that a lender or servicer may charge the borrower include premiums or fees incurred for coverage beginning on the date on which flood insurance coverage lapsed or on the date insurance failed to provide sufficient coverage. We also support the requirement that directs the credit union lender or servicer, within 30 days of receiving a confirmation of a consumer's existing flood insurance coverage, to terminate any force-placed insurance and refund to the consumer all force-placed insurance premiums and any related fees paid for by the consumer during any period of overlap between the consumer's policy and the force-placed policy.**

In addition, we agree with the proposed requirement that directs a credit union or other mortgage lending institution to accept as valid a member's existing flood insurance policy and declarations page including the existing flood insurance policy number and the identity and contact information for the insurance company or agent. This approach will simplify the verification process among credit unions and flood insurance providers and result in greater transparency for credit unions.

There are issues within the joint notice of proposed rulemaking that we are greatly concerned about. LSCU is greatly concerned about the impact pending revisions to The National Flood Insurance Program (NFIP) will have on credit unions and their members. As of July 2013, the NFIP's debt reached \$24 billion. In an attempt to address this issue, the President signed the Biggert-Waters Flood Insurance Reform Act with support from Congress. This bill is an attempt to extend the NFIP for five years and add new provisions regarding insurance premiums aimed at improving the financial health of the program.

We are concerned that new legislation will negatively impact consumer rates and result in increases of 25 percent a year until rates reflecting FEMA's best estimate of the flood risk are reached for non-primary residences, severe repetitive loss properties, and business properties. Additionally, discounted rates will be eliminated for single-family households when a policy lapses, a property is sold, the property sustains substantial flood damage (defined as damage greater than 50 percent of the home's value), the property is substantially improved, or a new policy is purchased. This activity will have a chilling effect on mortgage lending by credit unions and other institutions in areas of interest to consumers. There is increasing interest in helping consumers address insurance issues often beyond their control. Affordable insurance coverage is an issue that is complex and far reaching. It impacts consumers, lenders, state and federal regulatory agencies, plus state and local communities. There is no debating that adequate insurance coverage that is affordable for consumers will guarantee that households have money to rebuild after a disaster and is critical to the financial protection of those in hazardous locations and those who extend credit there. We recommend that every option be considered before costs associated with adequate flood insurance coverage is increased. Strong consideration should be given to legislation such as the "Home Protection Act of 2013" cosponsored by Congressman Bill Cassidy of the 6<sup>th</sup> Congressional District in Louisiana.

In closing, LSCU is aware that in this challenging economic environment NFIP program adjustments are inevitable. Therefore, we join our credit union colleagues in the belief that developing an affordable, sustainable, fiscally responsible NFIP that is beneficial to the needs of consumers and businesses and protects their interests is critical to long term growth. We also affirm our support for those credit union members that built according to required codes and who have followed all applicable laws. We believe their views should be considered before attempts to improve the program result in exorbitant expense increases. LSCU strongly urges NCUA and other agencies to reconsider any proposals that would increase expenses for members and credit unions.

Thank you for the opportunity to comment on the joint agency proposal involving revised flood insurance rules. If you should have any questions concerning our comments, please feel free to contact me directly at (205) 437-2165.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott Morris", with a long horizontal flourish extending to the right.

**Scott Morris**  
**Director of Regulatory Advocacy**