



strength in members.

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

Dear Mr. Poliquin,

On behalf of the New York Credit Union Association (NYCUA), I am writing this letter in response to the proposed joint regulations implementing changes to the national Flood Insurance Program. NYCUA strongly supported the legislation necessitating these amendments and generally supports the regulations as proposed. They implement requirements exempting detached structures from flood insurance requirements and specify when smaller institutions must provide escrows. Additional modifications detailed below would make it easier for financial institutions to implement these changes while continuing to protect consumers.

Detached structures

Federal law now provides that "flood insurance shall not be required, in the case of any residential property, for any structure that is a part of such property but is detached from the primary residential structure of such property and does not serve as a residence." See 42 U.S.C.A. § 4012a (West). In implementing this provision, the agency's request comment on whether they should define "residential property" to refer not only to the type of property securing the loan, but also to the purpose of the loan. In other words, the exemption would only be available if the detached structure does not secure a loan that is an extension of credit for a primarily business, commercial or agricultural purpose.

Whenever possible, the Association supports bright-line rules, which aid compliance. Consequently, we suggest that the flood insurance exception for detached property apply to all detached residential property irrespective of a loan's purpose. This approach is the easiest to apply operationally and, since credit unions have the option of requiring insurance for detached property on a case-by-case basis, there will still be adequate protection for more expensive structures.

\$1 Billion Threshold

Federal law now requires that starting in 2016, a credit union with \$1 billion or more in assets must escrow flood insurance payments. Regulators are proposing that institutions reaching this threshold will have slightly more than six months to comply with this requirement. Credit unions surveyed in preparation for this comment letter indicated that while they could comply with escrow requirements within 6 months, implementation of an escrow product is expensive. In addition, staff will need escrow training. Consequently, while credit unions could comply with escrow requirements within 6 months, it would be more appropriate to allow them at least a year to comply with escrow requirements.

The exception from escrow requirements only applies to institutions with less than \$1 billion in assets on or before January 6, 2012, that "did not have a policy of consistently or uniformly requiring the deposit of taxes, insurance premiums, fees or any other charges in escrow." In interpreting this provision, the final regulations should distinguish between institutions that mandated escrow coverage as part of a third-party servicing relationship and those that did so pursuant to their own policies and procedures. Many small institutions rely on third-party servicers and many servicers mandate escrow coverage. Small institutions should not be mandated to establish escrow accounts simply because a third-party required them to do so. This regulation might also deter smaller institutions from holding mortgages in their own portfolio if they can only do so by offering escrow accounts.

Finally, escrow requirements are regulated not only by the agencies promulgating this regulation, but also by the CFPB pursuant to its oversight of RESPA and servicer requirements. A joint guidance (modeled after the CFPB's Compliance Guides) clarifying how these seemingly disparate requirements interact with each other would be beneficial to all lenders responsible for administering escrow accounts.

I hope that these comments have been helpful. Flood insurance and escrow requirements have become increasingly complicated in recent years. Incorporating NYCUA's suggestions into these regulations would aid credit unions as they integrate these changes into their existing procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "W J Mellin". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

William J. Mellin
President/CEO
New York Credit Union Association