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December 29, 2014

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

RE: Comments on the Proposed Interagency Flood Insurance Rule; OCC Docket Number 2014-0016; RIN 3133-AE40

Dear Mr. Poliquin,

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the Proposed Interagency Flood Insurance Rule. 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 137 Georgia credit unions that have over 2 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.

Overall, GCUL agrees with the NCUA's proposed Interagency Flood Insurance Rule with a few exceptions, which we will detail below. Georgia credit unions greatly appreciate the inclusion of the \$1 Billion dollar exemption. This will be extremely helpful to credit unions, especially smaller credit unions

We do ask the NCUA to make sure that the escrow requirements that are being proposed in this rule are consistent with those in Regulation Z. Credit unions do not want or need to have conflicting rules muddling escrow requirements.

Some Georgia credit unions think the exception concerning the flood insurance requirement regarding "certain detached structures" could be troublesome. They feel that the definition is ambiguous and could lead to lender/borrower disagreements. Credit unions have members that add to their properties by building a detached structure for garages etc. In these cases, credit unions have to ensure full coverage including flood insurance to cover the credit union's interests. While some credit unions do appreciate the exemption in the rule that allows them latitude so that they do not have to insure a low-value structure, there are other credit

unions that have an issue with this. Some credit unions foresee occasions when some of these “detached buildings” are a part of an overall valuation (appraisal) of property financed – whereby lenders are advancing a percentage of value. These credit unions do not want to eliminate required flood insurance on an asset that the lender considers of value simply because it is unattached from the main residence. These credit unions would like to see NCUA specify/describe the types of detached structures that that can be exempted and to place a maximum dollar value on the exemption (i.e. tool/equipment sheds, barns, all of which cost no more than \$5,000 to construct).

Another area that all credit unions have a concern with is regarding the proposed rule and Home Equity Lines of Credit (HELOC) in the first lien position. Many credit unions end up with HELOCs in the first lien position when doing a new loan, and many already have them in the first lien position on their books. As written in the new rule, credit unions would need to notify these members of the option to escrow their flood insurance premiums, and this becomes an issue because:

1. Identifying these loans may be difficult as many older loans were not identified as first lien in the credit union’s core systems. Also, HELOCs may have moved to first lien position since the loan’s origination. In the proposed rule it should include verification of lien position when flood coverage cannot be confirmed.
2. Most credit unions do not currently have the ability to escrow loans housed in their core processing systems; these loans will need to be transferred to a new mortgage servicing platform. Members will need to be notified of the conversion. This could ultimately have a negative impact on member satisfaction.
3. Since credit unions will be required to notify the members of an escrow option for the flood, they may feel they should also be prepared to offer the option to escrow taxes and hazard insurance for consistent member service. There are costs associated with this service in the form of vendor fees and additional staff to manage the escrow accounts. (For example, a Georgia credit union shares that their tax service company charges a minimum fee of \$82 per loan for tracking taxes.) The question becomes - Will these costs then be passed onto the borrower? Even though this would be for the member’s benefit, it could still result in (again) negative member satisfaction due to the increase in fees.

Georgia credit unions would like NCUA to address the following in the proposed rule:

- While loans secured by real estate that are used for a business or commercial purpose are excluded, are residential investment properties excluded from this requirement?
- Are Construction-to-Permanent loans exempt during the Construction phase?
- Additional details/definitions of exemptions would be helpful.

As this will most likely be a big change in credit unions’ operations, credit unions have expressed that they will need additional time to make programming changes, and provide new forms, as well as train staff on the new process. Credit unions would like to see the date of January 1, 2016 pushed further back to allow them time to get their internal processes and programming in compliance with the new rule. Covering loans that are entered

into on or after at least July 1, 2016 would allow additional time to make the necessary changes to operational systems.

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