



January 6, 2017

National Credit Union Administration
Attn: Gerard S. Poliquin
1775 Duke Street
Alexandria, VA 22314

RE: Response to Loans in Areas Having Special Flood Hazards – Private Flood Insurance: 12 CFR Part 760 - RIN 3133-AE64

Dear Mr. Poliquin:

After reviewing the proposed rule regarding “Loans in Areas Having Special Flood Hazards – Private Flood Insurance” issued on November 6, 2016, we have the following comments that we hope will be taken into consideration when finalizing this rule.

Mandatory Acceptance

We support the Agencies’ proposal allowing greater flexibility for consumers when it comes to selecting a flood insurance provider. Requiring private flood insurance policies to be accepted if they meet the definition under the Biggert-Waters Act should have a positive impact on the insurance market. With more insurance providers entering the market, consumers should be able to find more reasonably priced coverage. The Agencies’ specifically requested comment on whether a regulated lending institution’s determination of whether flood insurance coverage is “at least as broad as” the coverage provided under the SFIP was sufficiently clarified through the amended definition of “private flood insurance.” In the comments from the 2013 response, it was acknowledged that state insurance regulators would not be able to determine whether a private policy met the statutory definition of “private flood insurance” when it comes to the requirement for coverage to be “at least as broad as” a SFIP policy. If state regulators are unable to make this determination with confidence, how would it be reasonable to place this expectation on lending institutions? The cost of training to ensure adequate knowledge of the criteria found in policies covered under an SFIP on top of the time it would take for each policy to be vetted before consummation would place a huge burden on lending institutions and could potentially cause mortgage closing delays, which could harm consumers. Furthermore, the penalty for lending institutions failing to comply with the flood insurance requirement that accept a policy in error is too great to take on the additional risk.

Compliance Aid

We support the Agencies’ proposal of a compliance aid to provide safe harbor that deems a policy meets the definition of “private flood insurance”. Safe harbor for lending institutions would help decrease reservations on whether or not a private policy should be accepted in the case that it does

not meet the definition of “private flood insurance” resulting in monetary penalties. As an alternative, training could be provided to state regulators allowing them to make this determination, in turn approving the policies that an insurer can advertise. If policies were provided with a stamp of approval from a state insurance regulator, lending institutions would be able to quickly determine that a policy contains the required coverage. If the suggestion mentioned above is not obtainable, does the agency plan on providing a template for lending institutions to complete ensuring policies contain all of the required criteria, such as a checklist? Although we would appreciate the extra assistance a checklist would provide, we still have concerns about the additional commitment of time and resources that would be needed to comb through each policy.

Mutual Aid Societies

As stated earlier in this comment, we agree with the proposals objectives of expanding the flood insurance market but we have some reservations when it comes to accepting policies from mutual aid societies. The Agencies’ requested specific comment on whether the terms of the proposed definition adequately cover the types of organizations that should be considered “mutual aid societies.” It was stated in the proposal that NCUA expects to rarely approve such policies. With low expectations of approval, what incentive would a lending institution have for accepting such policies? Also, how would a lending institution verify that a policy would be acceptable? Due to the inherent risk of accepting a policy from a mutual aid society, it is suggested that an approved list of acceptable mutual aid societies be provided. We also ask that more clarifying guidance be given as to how policies offered by mutual aid societies will be determined acceptable or not.

Thank you for your consideration,



Spencer Scarborough
SVP Lending Integrity
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