



THE FARM CREDIT COUNCIL

December 29, 2014

Mr. Barry F. Mardock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

RE: Proposed Rule – RIN 3052- AC93/ Proposed Rule on Flood Insurance

Dear Mr. Mardock:

The Farm Credit Council (Council), on behalf of the institutions of the Farm Credit System (System), appreciates the opportunity to respond to the FCA's request for comment on the Proposed Rule promulgated by the Federal financial regulators (collectively, the Agencies) with respect to requirements for Flood Insurance.

The comments that follow were developed after soliciting input from all System institutions. Representatives from numerous System institutions participated in the FDIC sponsored teleconference held by the Agencies on December 9, in which FCA participated. Subsequently a conference call of System counsel was held to discuss the input received and to review the comments. Because particular aspects of the Federal Flood Insurance Program impact our members in different ways, we anticipate that several of them will be providing their own comments.

Specific Comments

1. Option to Escrow Notice
 - a. Proposed regulation 614.4935(d)(2) provides for a three-month delay from the implementation of mandatory escrow for lenders to determine which loans in their outstanding portfolio should receive the "option to escrow" notice. The agencies are specifically asking whether this three-month timeline is appropriate and feedback on the proposed Appendix B language.
 - b. We suggest a one-year delay from the January 1, 2016 implementation to determine what loans in the existing portfolio should receive the "Option to Escrow" notice. In many cases, institutions need to make a manual, loan by loan inspection of files, as data bases don not include flood insurance requirements as a searchable element. We agree that the language in Appendix B is appropriate and appreciate that the language can be included on other disclosures provided to the borrower such as the periodic statement.

2. Mandatory Escrow

- a. Proposed regulation 614.4935 requires that the mandatory escrow of flood insurance premium and fees must be payable with the same frequency as payments on the loan for the duration of the loan.
- b. It may be hard for lenders (through a vendor or not) to implement an escrow solution on loans with an alternative payment frequency such as quarterly, semi-annual or annual. We suggest providing lenders more flexibility in setting up escrows—most vendors will only provide a monthly escrow, which may not fit the payment frequency requirement for loan payments on all loans. Alternatively, we suggest that loans with payment frequencies of 4 or fewer on an annual basis be exempt from the mandatory escrow requirement.

3. Small Lender Exception

Section 614.4935 in general requires institutions to require escrows for loans secured by “residential improved real estate or a mobile home...” In turn, Section 614.4935(c) provides the same small lender exemption as is applicable for other regulated financial institutions. We strongly encourage the Agency to consider recognizing the inherent distinction between the asset sizes of System institutions as compared to commercial banks and contrast the relative size of portfolios of “residential improved real estate or mobile home” loans that are subject to escrow.

We suggest the Agency (and other regulators as may be appropriate) consider adding an additional exemption for any regulated lender whose portfolio of consumer loans does not exceed some minimum number of loans, for example 200, or does not exceed some percentage of its total loans, for example 5%. The exemption should be based on how many consumer purpose loans you have, not overall assets.

4. Option to Escrow Requirements

Under the proposed rule, the requirement to offer the option of escrowing insurance premiums applies for all borrowers with mandatory flood insurance by March 31, 2016. We believe this requirement should only apply to institutions that no longer qualify for the small lender exception.

Once again, we appreciate this opportunity to comment on the Proposed Rule and trust that our comments and those of other System institutions will assist the Agency. If you have any questions, please do not hesitate to contact me.

Respectfully submitted,



Charles Dana
Sr. Vice President and General Counsel