

Greetings:

As the compliance officer of a FDIC regulated bank, I have read through the Interagency Joint Notice of Proposed Rulemaking regarding loans in areas having special flood hazards. In this reading, several questions come to mind.

When I read section 339.7 – Force-placement of flood insurance, I ask if this includes previously placed flood insurance. Several of our flood area loans are covered by force place insurance, mostly due to the fact that we are located in a rural area where the rate of unemployment is above national level. If we already have force-placed insurance on the loan and that force-placed policy is up for renewal (at maturity or expiration date), do we send notices (letters) to the borrower?

As I was reading some of the material at the FEMA website and comparing to this interagency proposal, I was concerned with the proposal of charges and fees of a force-placed insurance policy beginning on the date of which the flood insurance coverage lapsed. How is this feasible when the 30 day waiting period is enforced on all policies except new money (loan) policies? Will we not still be out of coverage for approximately 45 days? What if our force-placed insurance company will not allow for effective dating of policy when the premium is paid at the end of the 45 day notices to borrower?

In several articles at the FEMA website, they referred to the fact that many insurance companies MAY request that the customer acquire an Elevation Certificate. This Certificate may prove higher elevation that could help the customer with his/her annual premium. Will force-placement insurance companies also require Elevation Certificates? If so, how does the bank “require” our borrower to acquire an Elevation Certificate? These Elevation Certificates may cost the borrower a fee of \$500 plus. These force-placed insurance borrowers are already in a financial bind and adding this fee may cause them to default. If the bank were to pay for the Certificate, how would the bank request the surveyor to complete this Certificate when said surveyor may or may not be able to approach the property without borrower consent?

As the compliance officer of a community bank, I truly appreciate the time and effort of the FDIC as it prepares us for the new changes in mortgage lending.

Sincerely,

Stacy Arnold

VP/Compliance Officer



521 Main Street
Philadelphia, Ms 39350
Phone: 601-389-3318
Fax: 601-656-3055

<mailto:sarnold@tcbphila.com>
www.thecitizensbankphila.com

This email message is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply email and destroy all copies of the original message and attachments.