

May 20, 2008

Home Federal Bank

Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552

Attention: OTS-2008-0001

Dear Chief Counsel's Office,

After a review of the Proposed Revisions to Interagency Questions and Answers regarding Flood Insurance, issued on March 21, 2008, Home Federal Bank would like to address some concerns.

Questions #64 and #65 address the issue of a discrepancy between the flood zone listed on the lender's determination and that found on the flood insurance policy. The Answer for Question #64 indicates there may be a "legitimate reason" for a discrepancy, and mentions the Grandfather Rule, but is unclear as to whether that is the only acceptable "legitimate reason". A more definitive answer on that subject would be welcome.

The Answer on Question #64 also stipulates that the lender and borrower can follow the procedures outlined in 44 CFR 65.17. It would appear that those procedures were designed in the instance when a borrower disagrees with the findings on the determination and wishes for resolution from FEMA. However, it is a far more common occurrence for the insurance company to be the source of any disagreement. The suggested procedures are too cumbersome from a timing perspective to be appropriate for today's society when the time from loan application to loan closing may be a few weeks or even days. Asking all parties to wait 45 days for a ruling from FEMA is unreasonable, and does not even guarantee that the insurance company will recognize FEMA's answer once obtained. With the regulations imposing so many requirements upon and possible penalties to regulated lenders and few requirements of the insurance companies, the lenders should not be dictated to by the insurance companies.

The Proposed Questions and Answers also do not address other problems lenders frequently find from insurance companies, such as instances when they require higher amounts of coverage than the appraised value of a structure of minimal value, such as a shed, or requiring coverage of all buildings on a property, not just those inside a SFHA. These, along with flood zone discrepancies, are the issues we deal with on a daily basis.

In light of the requirements imposed on regulated institutions outlined in the National Flood Insurance Reform Act of 1994, and its precursors the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, and the penalties which can be imposed under those regulations, which are mentioned in the Answer to Question #65, it appears only proper that the flood zone found by the lender's determination be the one required to be used by an insurance company. These regulations already require a tremendous amount of a bank's resources to comply, and the suggestions in the proposal would only serve to increase those.

Sincerely,



Jan W. Evridge
Vice-President