



May 19, 2008

Jennifer J. Johnson  
Secretary, Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

Re: Loans in Flood Hazard Areas – Questions and Answers (Q&A)  
FRB Docket No. OP-1311

Dear Secretary Johnson:

Johnson Financial Group (JFG) is a \$5-billion financial holding company headquartered in Racine, Wisconsin, operating through several affiliated companies primarily in the states of Wisconsin and Arizona. Our product/service lines include banking, trust, and investment services (Johnson Bank), an insurance agency (Johnson Insurance Services, LLC), and branded brokerage and charge card services (with joint marketing partners).

We appreciate and support the Boards' efforts to provide additional guidance and clarity regarding issues that have risen since the initial release of the 1997 Federal Financial Institution Enforcement Committee "Interagency Questions and Answers Regarding Flood Insurance". We would like to take this opportunity to offer comment on two other aspects of the Flood Program requirements and rules that need to be addressed.

First, the requirement to issue a notice to the borrower that a structure is in a flood hazard area with **every** loan renewal. For example, the borrower is granted a 30-day term note secured by real estate with a structure. As part of the underwriting process, a determination is made that the structure is in a designated flood zone, proper notice is given, a policy meeting the requirements of the program is properly issued/obtained and paid for, and the policy period is one year. At the end of the initial 30-day period, the borrower asks for a 30-day renewal, and for argumentative sake, this occurs again, and the loan is extended for a second additional 30-days, for a total term of 90 days. The requirement to issue a notice that the structure is in a flood zone on day 30 and day 60 is at best redundant, and in our opinion ridiculous. The borrower, as monitored by the bank, not only has the required coverage for the two extensions of term of the loan, but in addition, for 9 months following payment in full of the loan. In this scenario, requiring

lenders to issue notices that a property/structure is in a flood area simply adds to the onerous compliance burden already on banks while adding absolutely no value to the client/borrower or the furtherance of the Flood Insurance Program.

Secondly, we would like to advocate for rulemaking, or if necessary, the Federal Reserve to be engaged in the legislative process, to eliminate a true risk to a bank/lender, the gap between the final expiration of coverage on a policy where the borrower fails to pay for the insurance policy renewal (30 days after the scheduled policy termination date) and the first point in time that a lender may force place the required coverage (on the 45<sup>th</sup> day). During the interim 15 day period, the bank truly has credit risk/exposure. We strongly encourage the Federal Reserve to focus its resources on this, and similar issues, where *real* risk mitigation/reduction can be achieved for the benefit of all.

Thank you for the opportunity to comment on this proposal.

Sincerely,

A handwritten signature in black ink, reading "John R. Topczewski" with a stylized flourish at the end.

John R. Topczewski  
Vice-President/Corporate Compliance Officer

cc: Richard A. Hansen, President and CEO, Johnson Financial Group  
Kurt Bauer, Executive VP, Wisconsin Banker's Association