



IOWA BANKERS ASSOCIATION

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May 20, 2008

Office of the Comptroller of the Currency
250 E Street, SW., Mailstop 1-5
Washington, DC 20219
Attn: Docket #2008-0002

Jennifer J. Johnson, Secretary
Board of Governors, Federal Reserve
20th Street & Constitution Ave, NW
Washington, DC 20551
Docket No. OP-1311

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corp.
550 17th Street, NW.
Washington, DC 20429
RIB # 3064-ZA00

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, NW.
Washington, DC 20552
No. 2008-0001

Ladies and Gentlemen:

Iowa Bankers Association (IBA) is a trade association representing nearly 95% of 400+ banks and savings associations in the State of Iowa. We appreciate this opportunity to comment on the Proposed Revision to Loans in Areas Having Special Flood Hazards Interagency Questions and Answers Regarding Flood Insurance.

We applaud the agencies' efforts to provide additional guidance and clarification regarding the federal flood insurance legislation. The reorganization of the questions into categories is much more user-friendly. The additional Q & A and examples in calculating coverage are also very helpful.

Even with the improvements, we seek further clarification of five items:

1. In Section II, Determining the Appropriate Amount of Flood Insurance Required Under the Act, the term "insurable value" is referenced several times. Question #7 attempts to define "insurable value" by explaining it is "*the overall value of the property securing the designated loan minus the value of the land on which the property is located.*" The problem with this definition is "overall value" is not defined in the Q & A. Is "overall value" the appraised value? Replacement cost value per the insurance binder? Or cost estimate value per the appraisal? Or actual cash value? Please provide further clarification.
2. Question 24 discussing the Condo coverage rules also refers to "insurable value" and indicates the insurable value of the condo is "*the replacement cost value of the condominium building divided by the number of units.*" One cause for concern in using "replacement cost value" as "insurable value" is that a property's replacement cost value

(the cost to build the same structure over again in the same location) may be much higher than the property's current insurable value - especially if the current state of the structure is in disrepair. Again, we ask that this be considered in developing a better definition of "insurable value."

3. Question #31 discusses a lender's duties when a draw is taken against a line of credit secured by a property located in a special flood hazard area. This Q & A is confusing. It makes reference to a determination being needed when an application is made and that draws do not require further determinations. Please provide more clarity to this question. That is, clearly state an application does not trigger a determination; rather, a determination must be obtained before closing the line/transaction and that draws on the line are not treated as separate transactions.
4. Question #40 regarding Flood Insurance Requirements for Loan Participations indicates Agencies expect participating lenders will have adequate controls in place to monitor the lead lender's compliance with the flood insurance rules over the term of the loan. Assuming the lead lender is a federally regulated entity whose compliance with the NFIP is monitored by its regulator, the guidance seems burdensome and redundant to have more than one lender ensuring flood insurance is adequate and is maintained over the life of the loan. Typically a participation agreement is executed between the lead lender and purchasing lenders in which the lead lender assumes responsibility for servicing the loan which would include monitoring compliance with the NFIP. It would make sense the flood rules follow suit with other regulations include the BSA's CIP program requirements and Reg Z's disclosures rules which place the compliance responsibilities on the lead lender.
5. Question 54 discusses Force Placement of Flood Insurance and indicates the lender must notify the borrower of the lapsed insurance and force place insurance at the end of a 45 day notice period. Under the best case scenarios if the lender notifies the borrower on the first day of the lapsed policy, a structure could be uninsured for as many as 15 days since policies typically provide for 30-day grace period following the policy period expiration date. Mortgages typically contain clauses that allow lenders to make protective advances for lapsed insurance payments and taxes as soon as they become delinquent. We would ask that clarification be provided as to whether or not a lender could charge the cost of insurance to the borrower if it exercised its rights and remedies provided in the mortgage document and made a protective advance to cover the premium cost prior to the end of the 45-day notice period. It would seem the legal agreement between the lender and borrower would control this situation, be we often see lenders hesitant to exercise their contractual rights for fear of violating the flood program's force placement notice provisions.

If the lender is not allowed to recoup the cost of its protective advance before the end of the 45-day period, could the lender be allowed to start the 45-day notice period before the policy actually expires? For example, could the lender send notice to the borrower 15 days prior to the policy expiration date, reminding the borrower of the renewal and contractual and regulatory requirement to keep flood insurance place, telling the borrower if the flood policy has not been renewed within 45 days of this notice (which will coincide with the 30-day policy expiration grace period) flood insurance will be force placed?

Thank you again for your time and energy in updating and improving the Interagency Flood Q & A as well as for your consideration of these comments. Feel free to contact me at 515-286-4300 or via e-mail, rschlatter@iowabankers.com, should you have questions or need further information.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronette Schlatter". The signature is written in a cursive style with a large initial "R".

Ronette Schlatter, CRCM
Senior Compliance Coordinator