Via Electronic Mail

May 20, 2008

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

Re: Docket No. op-1311
Loans in Areas Having Special Flood Hazards; Interagency Questions and Answers Regarding Flood Insurance

Dear Ms. Johnson,

First Bank appreciates the opportunity to comment on the proposed Interagency Questions and Answers Regarding Flood Insurance published March 21, 2008 at 73 Fed. Reg. 15259 (“Proposed Q&A”). First Bank, headquartered in Creve Coeur, Missouri, is a state member bank with $10.8 billion in assets with over 200 locations in California, Florida, Illinois, Missouri and Texas.

Our comments focus specifically on our concerns with respect to Questions 64 and 65 of the Proposed Q&A which generally create new requirements for lenders to have processes in place to identify and resolve discrepancies between flood hazard zone designations on flood determination forms and flood insurance policies.

Proposed Question 64, if adopted as proposed, would require a new compliance burden for lenders to have processes in place to identify and resolve discrepancies. As part of its resolution process, lenders would be expected to determine and document whether there is a legitimate reason for the discrepancy. Lenders would be required to work with borrowers and agents to resolve discrepancies. If the discrepancies could not be resolved, the lender and the borrower could jointly request a FEMA review of the determination. Proposed Question 65 creates a new compliance burden for lenders to develop and implement adequate controls to ensure that no more than occasional, isolated instances of unresolved discrepancies are found in the lenders portfolio in order to avoid being cited by the Federal Reserve for a violation of the mandatory flood insurance purchase requirements.

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Following are our specific comments and suggestions pertaining to Questions 64 and 65:

1. *Risk vs. Reward.* We believe the new expectations proposed to be placed on lenders are not reasonable when compared with the actual risk to lenders, borrowers, and the public created by such discrepancies. It is our understanding that when claims adjusters find that a policy has been rated incorrectly by using an incorrect flood zone, they will either (a) reduce the amount of coverage using the zone that was actually used to rate the policy; or (b) the policyholder may within 30 days pay the difference between the amount that was paid versus what should have been paid. It is financially advantageous for the policyholder to pay the difference. It is our understanding through discussion with FEMA personnel that these discrepancies are not common and, in the cases that do occur and there is a claim, most policyholders pay the difference unless they are outside the 30 day timeframe. As a result, the risk of inadequate flood insurance coverage, in our view, is very low.

   Before adopting Questions 64 and 65, the agencies should consult with FEMA and NFIP representatives to research available statistics to determine whether the actual risks created by such discrepancies merits adding this significant compliance burden on lenders. Until such research is conducted, these questions should not be adopted.

2. *Stronger Agent Requirements.* It is our understanding through discussion with FEMA personnel that many discrepancies occur because agents are obtaining flood determinations in an attempt to gain a less expensive policy rating for their customers. Discrepancies could be reduced by requiring agents to use a lender's flood determination. It is our understanding that agents are permitted to rely upon a lender's determination and are not required to obtain their own determination. Requiring agents to use the lender's determination, when available, would significantly reduce the risk of discrepancies. Borrowers already work with lenders to resolve disagreements over individual determinations, we see no need to add another party to the dialogue.

3. *Unintended Consequences.* The new lender expectations may have an unintended consequence to delay the availability of credit to borrowers. In a loan origination scenario most lenders will simply adopt procedures to refrain from originating a loan until any discrepancies are resolved in favor of the lender's determination. As a result, the burden of resolution will fall primarily upon loan applicants/borrowers to work with their agents to resolve discrepancies in a manner that satisfies the lender's requirements. Lenders will certainly do all they can to assist their customers in this process, however, in cases where an agent is not fully cooperative, loan closings may end up being delayed until customers are able to resolve the discrepancy.

In policy renewal situations, lenders may choose to simply force place coverage to cover any discrepancies. Again, as a result, the burden of resolution would be placed upon the borrower to resolve the discrepancies with their agents to the satisfaction of the lender.

Thank you again for the opportunity to provide our views on the Proposed Q&A.

Sincerely,

Anthony S. Wade
Vice President
Corporate Compliance Officer
First Bank