By electronic delivery

August 11, 2009

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
regs.comments@federalreserve.gov

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

Ms. Johnson:

Home BancShares, Inc (HBI) would like to take this opportunity to express its concerns, as they relate to the proposed new questions and answers 9 and 10 to the Interagency Questions and Answers Regarding Flood Insurance (FAQs). While the agencies have added some clarity to many issues regarding flood insurance; the most important issue of insurable value has not been adequately addressed as proposed. It is the spirit of the law that we as bankers take very seriously; however, the ambiguous language within the proposed FAQs 9 and 10 concerning how to determine the amount of flood insurance required by the Act and Regulations only lead to further confusion.

Page 27 of the *N.F.I.P. Mandatory Purchase of Flood Insurance Guidelines (NFIP Guidelines)* offers the following definition regarding the calculation of flood insurance coverage:

> To meet compliance requirements, the amount of flood insurance must at least be, but is not limited to, the lowest of:
> - The outstanding principal balance of the loan(s); or
> - The maximum amount of coverage available under the NFIP for the particular type of building; or
> - The full insurable value of the building and/or its contents, which is the same as 100-percent replacement cost value (RCV).

While this section seems clear at face value; the matter becomes more complex when you take into account page 28 of the *NFIP Guidelines*. This section speaks to loss payment, which defines the type of payment to be expected in relation to a flood loss on the various insurance policy forms. It is page 28 that should dictate the amount and type of insurance coverage available to satisfy the flood regulations for residential and non-residential structures. In doing so it would add much needed clarity for the banks, their customers, and insurance agents alike.

Clear guidance about how financial institutions should determine and document the value of both residential and non-residential properties should be provided. Currently, there is a significant uncertainty about whether to rely on hazard insurance, an appraisal or other means. It has been our experience that an appraisal that is a couple of years old or older may no longer reflect an adequate assessment of value. Clarification should be added for lenders to determine in a loan renewal situation if it would be acceptable to use another method for determining value. Specifically, if it would be reasonable to use a tax card evaluation, an in-house appraisal/evaluation or if determining the value of a mobile home; the NADA book retail value.

HBI would like to formally request that mobile homes be given further consideration and guidance in the final FAQs. It has been our understanding from FEMA that the RCV for a manufactured/mobile home differs from the RCV of a stick built home. The Standard Flood Insurance Policy Dwelling Form indicates in the Special Loss Settlement provision, in the event of a loss, that the dwelling would be repaired to at least its pre-damaged condition. One would assume that a 1982 mobile home destroyed by aflood could be replaced by an undamaged 1982 mobile home of the same kind and quality. Therefore, lenders should be able to refer to the NADA book to identify the value of a manufactured/mobile home for adequate flood insurance calculation purposes pursuant to Reg H, assuming that amount does not exceed the principal balance of the designated loan or the maximum limit of coverage under the Act.

Concerning the replacement cost value alternatives as proposed that will only be available for situations where full replacement cost would result in a building used for a farming/ranching/industrial purpose being over insured; HBI would like to request the alternatives be used for all nonresidential buildings. The separation of the previously designated non-residential property into the categories of commercial and farming/ranching/industrial will only lead to unnecessary confusion. It would seem the loss payment provisions limiting recovery to actual cash value would make the most sense. Applying the alternatives to all nonresidential buildings would allow flood insurance coverage to become adequately balanced, and provide a more consistent approach to such calculations.

HBI appreciates the opportunity to comment on the Interagency Questions and Answers Regarding Flood Insurance. This guidance can provide the needed direction to banks as we seek to comply fully with the N.F.I.P. Mandatory Purchase of Flood Insurance Guidelines.

If you have any questions about these comments, please contact the undersigned at 501-328-4736 or via email at kpenter@homebancshares.com.

Respectfully,

M. Kyle Penter, CRCM
Director of Compliance
Home BancShares, Inc.