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Subject: Q & A Flood Insurance

Comments:

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Proposal: Loans in Areas Having Special Flood Hazards; Interagency Questions and Answers Regarding Flood Insurance
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My comment is in regard to proposed question #10: Are there alternative approaches to determining the insurable value of a building? With the two alternatives being 1)Functional Building cost value or 2) demolition/removal cost value. We are an agriculture lender and come across situations all the time with property with dilapidated or derelict buildings that add no value to the property and we do not consider in making the credit decision. And while I think that the info in this question will be very helpful to us, if a building is not important and will not be replaced - I wonder why we would want to insure it even at demolition/removal cost? If it floods and won't be replaced - what claim is there on the insurance? I would like to see the proposal on buildings that are "not important and won't be replaced" be a waiver that the borrower and lender sign stating that the buildings are of no value to borrower or lender, and that if damaged by flood that a claim will not be sought - and no insurance required. We compete for lending relationships with insurance companies, unregulated lenders and Farmer Mac who are not required to comply with flood insurance requirements, and when we have to require insurance and other lenders do not, the borrower is going to go where they don't have to pay for insurance on buildings of no value. I appreciate the opportunity to comment on this proposal, and appreciate any consideration that you will give to my comment.