Branch Banking and Trust Company

Tom McFarland
IT Business Services
Mailcode: 172-89-07-00
3200 Beechleaf Court, Suite 700
Raleigh, NC 27604
(919) 745-5200

December 10, 2013

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551
Attention: Robert deV. Frierson, Secretary

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429
Attention: Robert E. Feldman, Executive Secretary

Re: Interagency Proposal to Implement Provisions of the Biggert-Waters Flood Insurance Reform Act of 2012

Dear Mr. Frierson and Mr. Feldman:

Branch Banking and Trust Company and its affiliates and subsidiaries of BB&T Corporation[1] (BB&T) appreciate the opportunity to comment on the Interagency Proposal to Implement Provisions of the Biggert-Waters Flood Insurance Reform Act of 2012. In October, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Farm Credit Administration, and National Credit Union Administration (collectively, the Agencies) published a joint notice of proposed rulemaking (Proposal) to implement certain provisions of the Biggert Waters Flood Insurance Reform Act of 2012 (the BWA) . The Proposal would establish requirements with respect to (1) the escrow of flood insurance payments, (2) the acceptance of private flood insurance coverage, and (3) the force-placement of flood insurance. In addition, the proposal includes new and revised sample notice forms and clauses, and it makes other technical corrections to the flood regulations.

[1] As of September 30, 2013, BB&T Corporation ("BB&T"), including its wholly-owned subsidiary Branch Banking and Trust Company ("Branch Bank"), is one of the largest financial services companies in the U.S. with $181.1 billion in assets and market capitalization of $23.8 billion. Based in Winston-Salem, N.C., the company operates 1,824 financial centers in 12 states and Washington, D.C., and offers a full range of consumer and commercial banking, securities brokerage, asset management, mortgage and insurance products and services. A Fortune 500 company, BB&T is consistently recognized for outstanding client satisfaction by J.D. Power and Associates, the U.S. Small Business Administration, Greenwich Associates and others. More information about BB&T and its full line of products and services is available at www.BBT.com.

Our comments primarily address and make recommendations regarding the escrow of flood insurance payments requirement of the BWA. Specifically, BB&T recommends that the proposed regulation exclude revolving home equity lines of credit, short-term financing where the loan term is less than 12 months, and existing loans, only making escrow required on newly originated loans or loan modifications. In addition, BB&T suggests the Agencies delay implementation of escrow requirement for 12 months following completion of the required map reviews and affordability study, as recommended in recent congressional action, such as the Homeowner Flood Insurance Affordability Act of 2013. However, if the Congressional action does not pass and the required map reviews and affordability study are not complete before the publication of the final rules, we continue to recommend a delay of 12 months following publication of the final rules. Our primary interest is to mitigate any risk of negatively affecting the borrower due to unintended consequences resulting from the rules related to the BWA.

I. Exclude revolving home equity lines of credit, short-term financing, and existing loans. Require collection of escrow only when supported by a statutory trigger including loan origination, modification, increase or extension.

The Proposal indicates banks will not have to escrow for loans that are an extension of credit for a business commercial or agricultural purpose, even if these loans are secured by residential real estate. If a bank has determined that a borrower has purchased flood insurance coverage (that satisfies the mandatory purchase requirement) and is currently paying premiums and fees into an escrow account that has been established by another lender, the institution does not have to establish another escrow account for the same purpose. This provision would cover second liens and loans secured by condominiums.

BB&T supports the Proposal with respect to limiting the rule to consumer purpose loans and excluding second liens on loans or lines of credit. Further, BB&T recommends excluding home equity lines of credit altogether, regardless of lien position, as well as loans that are considered "short-term" financing where the term is less than 12 months. While most home equity lines of credit represent second liens, there are instances where home equity lines of credit are in first position. There is no clarity or distinction in the Proposal regarding home equity lines of credit. Short term financing is most often used in the case of a bridge loan which is designed to bridge the period of time between the purchase of a borrower's new residence and the sale of the present residence.

If the final regulation does not exclude home equity lines of credit, short-term financing and existing loans, the borrower is at risk for the following negative consequences:

- In order to become compliant for existing home equity loans and lines of credit, the borrower may face unintended negative consequences stemming from documentation requirements, such as lenders may deem it necessary to have existing loan agreements modified or re-executed.
- If second liens are not excluded and the first lien holder is collecting escrow, the coverage amount may need to be increased to a higher coverage amount to account for both liens. However, the first lien holder may not become aware of the higher coverage amount until the annual premium is due, which would then result in an escrow deficiency. This deficiency would result in a higher escrow amount for a period of time, which could cause undue hardship on the borrower during this "catch-up" period.
- If the first lien holder is an exempt institution and is not required to collect escrow, the borrower could be confused when the second lien holder (who is not exempt) requires escrow for flood insurance premiums
- Because home equity lines of credit are revolving lines of credit, borrowers could receive bills for the escrow payment even when their line has a zero balance. Many borrowers maintain a revolving home equity line of credit with no balance and will perceive this as unfair. Additionally, unpaid and/or past due escrow balances would delay lien releases on a borrower's line of credit with a zero balance
- If escrow is required on short-term financing where the loan term is less than 12 months, the lender has no choice except to annualize the flood insurance premium. Because proof of flood insurance would be required at the time of closing and the term of the loan is less than 12 months, it would seem unnecessary and illogical to require the borrower to begin paying insurance premiums via escrow for the following year. The short-term loan would be paid off prior to the subsequent year's premium coming due. The borrower would likely perceive this practice as unfair.
- Because existing loan contracts do not contain escrow provision language, it will need to be determined if it will be necessary to require the borrower to re-execute an amended loan agreement that does contain the appropriate escrow language. Borrowers may perceive this as optional and refuse to take action. If the borrower refuses to take action, the bank's recourse is undetermined. Therefore, BB&T recommends making escrow required only when triggered by a new loan origination, modification, increase or extension.

II. Delay implementation of escrow requirement for 12 months following completion of the required map reviews and affordability study.

The Proposal indicates that banks must begin collecting escrow at closing for designated loans made after July 6, 2014. For designated loans that are "outstanding," banks must begin collecting escrow with the first loan payment after the first renewal of the flood insurance policy that occurs after July 6, 2014. For example, for a policy

that renews on March 15, 2015, a bank must begin collecting escrow with the April 1, 2015 loan payment. The borrower would be responsible for paying the premium to renew the policy on March 15, 2015. Payments that are escrowed beginning April 1, 2015 will be used by the lender to pay the premiums for subsequent years.

In addition, for outstanding loans that become designated loans after July 6, 2014 (*i.e.*, following a map change) banks would be required to begin escrow with the first loan payment after the flood insurance policy is effective. For example, the lender would notify the borrower that flood insurance is required, as provided in the force-placement provision of the Proposal. After the required notification, either the borrower would purchase and pay for a flood insurance policy or the lender would force-place a policy and charge the borrower for the cost of coverage. The lender also would begin to collect escrow payments to cover premiums and fees, which would be applied to the next annual policy renewal, upon the borrower's next loan payment.

Further, if the policy renews in July 2014, the borrower is responsible to pay the renewal. The Proposal requires the lender to notify the borrower of the escrow requirement 90 days prior to beginning the collection of escrow. It is unclear as to whether the notification should be delivered 90 days prior to July 2014 to begin escrow collection in July or immediately following the July 6, 2014 effective date to begin collection in October. Beginning the escrow collection in October will result in a larger payment amount over a fewer number of months, which may cause an undue hardship on the borrower.

BB&T strongly urges the Agencies to delay the effective date of the escrow requirement for a period no less than 12 months following the completion of the required map reviews and affordability study, as recommended in recent congressional action, such as the Homeowner Flood Insurance Affordability Act or 2013. However, if the Congressional action does not pass and the required map reviews and affordability study are not complete before the publication of the final rules, BB&T continues to recommend a delay of 12 months following publication of the final rules. Additionally, BB&T supports collecting escrow for flood insurance on newly originated or modified closed end loans, only.

If the final regulation does not allow for a delayed implementation date following completion of the map reviews and affordability study, the borrower is at risk for the following negative impacts:

- Recently proposed legislation (October, 2013) includes a 2 year delay for FEMA to conduct map reviews due to the inconsistencies in the current flood maps. The legislation also includes an additional 2 year delay to perform an affordability study on flood insurance rates. This new legislation is intended to reduce undue harm to borrowers.

- Due to the map inconsistencies currently affecting borrowers, the proposed legislation added a requirement to utilize the National Flood Insurance program to allow borrowers to appeal inaccurate FEMA map determinations previously imposed. The borrower would potentially suffer undue hardship if funds are unavailable while processing an appeal.
- Implementing an escrow program with inaccurate maps and without an affordability study completed would be unfair to the borrower.

Finally, if the regulation does not allow for delayed implementation, the following items will be particularly challenging for the lender to effectively meet the requirements within the required timeframe due to the following reasons:

- If second liens are not excluded, tracking will be particularly challenging for lines that begin as second liens and become first liens when the first mortgage is paid off. The first lien holder is not obligated to notify junior lien holders when the first lien is paid off.
- Disclosure requirements have not been finalized, so we are unsure how to effectively prepare for additional documentation related requirements. This would apply to existing loan contracts as well as newly originated loans.
- Standard bank loan contracts need to be enhanced to include escrow provisions for newly originated or modified lines and loans. System programming time will be necessary.
- Further, the bank would need to define the appropriate recourse allowed if the borrower fails to pay the escrow amount on time when no other payment is due and would need guidance to determine the allowable collection actions to be taken, including potentially suspending future line availability.

In closing, BB&T reiterates its support of most components of the Proposal and encourages the Agencies to incorporate the other recommendations noted herein. Specifically, BB&T recommends that the proposed regulation exclude revolving home equity lines of credit, short-term financing where the loan term is less than 12 months, and existing loans only making escrow required on newly originated loans or loan modifications. In addition, BB&T suggests the Agencies delay implementation of escrow requirement for 12 months following completion of the required map reviews and affordability study, as recommended in recent congressional action, such as the Homeowner Flood Insurance Affordability Act or 2013. However, if the Congressional action does not pass and the required map reviews and affordability study are not complete before the publication of the final rules, we continue to recommend a delay of 12 months following publication of the final rules.

We greatly appreciate your consideration of our comments related to the Proposal and would welcome the opportunity to discuss them further with you at your convenience. If you have any questions or need further information, please contact me directly at 919-745-5200.

Respectfully submitted,

Tom McFarland
Executive Vice President
Chief Risk Operations Officer
BB&T Corporation
919-745-5200
tom.mcfarland@bbandt.com