

From: Missouri Bankers Association, Carol Barnett
Proposal: 1498 (RIN 7100 AE 22) - Reg H - Loans in Areas Having Special Flood Hazards
Subject: Reg H - Loans in Areas Having Special Flood Hazards

Comments:

Regarding the Proposed Rules published in the October 30, 2014 Federal Register -
OCC Docket ID OCC-2014-0016;
Federal Reserve Docket No. R-1498;
FDIC RIN 3064-AE27

I am writing on behalf of the Missouri Bankers Association, which represents almost 300 banks in the state of Missouri - many of which have loans requiring flood insurance. I realize that the comment period has ended regarding the proposed rule - however I would like to ask your consideration of clarification of these questions in the final rule:

It is pretty clear in the proposal that effective 1/1/16 when escrow is required that the escrow account for flood insurance premiums must be maintained for the life of the loan, which implies the borrower cannot cancel the escrow account. What is not clear to me is what the expectations are with regard to the proposal that lenders send a notice to existing borrowers regarding the option to escrow (for example FDIC 339.5(d) and Appendix B) and then subsequently escrow if the borrower "opts in" to escrow. Must that borrower then also maintain the escrow account for the life of the loan or can the borrower cancel the escrow account at some point? If they can opt out and cancel later on, what - if any - is the duty of the bank?

While there are specific procedures spelled out in other CFPB regulations regarding cancellation of escrow, I'm not seeing anything in the flood proposal or the preamble that addresses cancellation for these escrow accounts that are deemed optional. The wording in Appendix B uses the word "optional" which implies the borrower can opt in and opt out at the borrower's whim. Clarifying this for our members would be helpful, as they would need to keep track of the different types of accounts and who can cancel escrow and who can't.

Thank you for your consideration of these comments.

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