

From: AgChoice Farm Credit Association, Darrell Curtis
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:

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Proposal: Regulation H: Loans in Areas Having Special Flood Hazards [R-1498]

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December 29, 2014

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RE: Proposed Rule Loans in Areas Having Special Flood Hazards RIN 3133-AE40

AgChoice Farm Credit Association (AgChoice), on behalf of its member-owners, appreciates the opportunity to comment on the proposed rule published in the October 30, 2014 Federal Register addressing requirements for loans in areas having special flood hazards. AgChoice is committed to ensuring that its owner-borrowers implement appropriate risk management strategies. Additionally, we must be certain that any collateral securing loans is adequately protected from damage or loss.

To that end we are strong proponents of flood insurance when appropriate. As a result of servicing an area with a large number of designated Flood Hazard Areas, we are often confronted with situations where non-residential structures of relatively low value, including sheds, barns and other accessory structures are located within the Flood Hazard Area. In many cases these structures are ultimately deemed uninsurable because the deductible exceeds their value.

We strongly support the exemption of flood insurance in the case of any residential property, for any structure that is a part of such property but is detached from the primary residential structure and does not serve as a residence, proposed regulation 614.4930(c)(3). We believe that this section does require further clarification and would urge that the definition of Residential Improved Real Estate as found in 12 CFR 339.2 be adopted as part of this rule making to maintain constancy among National Flood Insurance Program regulations. 12 CFR 339.2 i) Residential improved real estate means real estate upon which a home or other residential building is located or to be located.

We further support the adoption of guidance related to the definition of residence that is consistent with other definitions found within the National Flood Insurance Program. This guidance should incorporate references to a building that serves as a dwelling that will be lived in. This exemption should not be related to the purpose or type of loan. The ability of a lender to require flood insurance even if it meets this exemption, will provide the lender with the necessary discretion to determine the contribution of the structure to the value of the property.

Option to Escrow Notice, proposed regulation 614.4935(d)(2), compliance is a concern. As a result of the large number of loans that we service that are secured by property located in a Flood Hazard Zone, and our Institution's relative small size (2 Billion) it will be difficult and burdensome for use to identify and notify these property owners within 3 months. We feel that a one year delay from January 1, 2016 would be more appropriate and recommend that this be incorporated into the new rule.

The requirement that the mandatory escrow of flood insurance premium and fees must be payable with the same frequency as payments on the loan for the duration of the loan (proposed regulation 614.4935) will be extremely difficult to comply with for non-traditional payment arrangements.

Currently our systems are only able to collect escrow payments on a monthly basis. We service many accounts that only make payments on an annual or semi-annual basis. We would request that this requirement allow for a mutual agreement between the borrower and customer regarding escrow payment arrangements, or an exemption for such non-traditional mortgage payment arrangements.

AgChoice Farm Credit supports this rule making to establish a clear policy and procedure to implement the recently enacted legislation. We believe that addressing these comments will ensure that we can effectively implement the intent of these provisions. Thank you for this opportunity to provide these comments. Please do not hesitate in contacting me if you have any questions or require any additional information.

Respectfully,
Darrell L. Curtis, President and CEO