

SUPPORTING STATEMENT  
FLOOD INSURANCE  
(OMB No. 3064-0120)

INTRODUCTION

The FDIC is requesting OMB approval for the record keeping requirements included in Part 339 of the FDIC Rules and Regulations prescribing standards for loans in areas having special flood hazards. The regulation implements Title V of the Riegle Community Development and Regulatory Improvement Act (“RCDRIA”).

Each supervised lending institution is currently required to provide notices of special flood hazards to each borrower with a loan secured by a building or mobile home located or to be located in an area identified by the Director of the Federal Emergency Management Administration (FEMA) as being subject to special flood hazards. In addition, various other notices must also be provided to borrowers, servicers and FEMA.

A. JUSTIFICATION

1. Circumstances and Need

A number of the sections of Title V of the RCDRIA require each federal banking agency (including the FDIC), and the Farm Credit Administration, to adopt implementing regulations. Each supervised lending institution is currently required to provide a notice of special flood hazards to a borrower acquiring a loan secured by a building on real property located in an area identified by the Director of FEMA as being subject to special flood hazards. The RCDRIA requires that each institution must also provide a copy of the notice to the servicer of the loan (if different from the originating lender). In addition the institution must also notify the Director of FEMA (or designee) of any subsequent change of the servicer of the loan. The institution must also maintain records to permit examination staff to ascertain how the institution has met the requirements of the regulation.

2. Use of the Information Collected

The Notice to the Borrower provides information that the property securing the loan is located in a special flood hazard area and flood insurance is required to make the loan. The Notice also provides additional information to the borrower about the availability of federal assistance in the event of a declared federal disaster finding because of a flood. The Notice is also provided to the servicer of the loan (if the originating lender is not the servicer) so that the servicer will be aware of its responsibility to perform certain tasks on behalf of the lender, such as to collect flood insurance premiums. The lender would be required to notify the Director of FEMA (or designee) if the identity of the servicer changes so that FEMA would know to

whom to direct inquiries or notices of renewals of the insurance policies. This later obligation is a one-time obligation on the lending institution.

3. Use of Technology to Reduce Burden

Banks complying with the notice and recordkeeping requirements of Part 339 are expressly given the option of providing notices and maintaining records in hard copy or electronic format.

4. Effort to Identify Duplication

Procedures may be necessary to provide the new notifications to servicers and to FEMA. Generally, these requirements would be a supplement to a bank's existing procedures to provide notification to a borrower whose loan request was secured by a building located on property in a special flood hazard area. The rulemaking was published jointly by the OCC, the FRB, OTS, NCUA, Farm Credit Administration and the FDIC. Considerable collaboration with those agencies occurred during the drafting of the proposed rule. Comments received from the public and from OMB were considered before a final rule was published.

5. Minimizing the Burden on Small Entities

Small banks generally originate and service fewer real estate loan products than larger institutions. Moreover, to the extent it minimizes burden, banks may elect to issue notices electronically and to maintain records in an electronic format.

6. Consequence of Less Frequent Collections

These are occasional collections, usually one time only for each loan.

7. Special Circumstances

Not applicable, except that records must be maintained for the period of time respondent/recordkeeper owns the loan.

8. Summary of Public Comments

A "first" Federal register notice seeking comment on renewal of this information collection was published on May 3, 2011 (76 FR 24880). No comments were received.

9. Payment or Gift to Respondents

Not applicable.

10. Confidentiality

All required records are subject to the same confidentiality requirements as any of the bank's other loan related documents.

11. Information of a Sensitive Nature

This requirement contains no sensitive information.

12. Estimates of Annualized Burden

Recordkeeping:

4716 respondents x 34 responses x 0.04 hours per response = 6414 hours

Total Recordkeeping Burden: 6414 hours

Disclosures:

Notices to Borrowers/Servicers/FEMA:

4716 respondents x 101 responses x .088 hours (average) per response = 42,837 hours

Total Disclosure Burden: 42,837 hours

Total Burden: 49,251 hours

13. Total Annual Cost Burden

None.

14. Annualized Cost to the Federal Government

Not applicable.

15. Reason for Program Changes or Adjustments

N/A.

16. Publication

No publication is made of the information.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.