SUPPORTING STATEMENT

LOANS IN AREAS HAVING SPECIAL FLOOD HAZARDS

(OMB No. 3064-0120)

INTRODUCTION

The FDIC is requesting OMB approval for the revision of this information collection involving 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.

The FDIC is proposing to amend its regulations regarding loans in areas having special flood hazards to implement provisions of the Biggert-Waters Flood Insurance Reform Act of 2012. Specifically, the proposal would establish requirements with respect to the escrow of flood insurance payments, the acceptance of private flood insurance coverage, and the force-placement of flood insurance. The proposal also would clarify the Agencies' flood insurance regulations with respect to other amendments made by the Act and make technical corrections. Furthermore, the FDIC is proposing to integrate their flood insurance regulations for State non-member banks and State savings associations.

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 Federal register notice seeking comment on the revision of this information collection was published on October 30, 2013 (78 FR 65108).

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

The table below displays the burden estimates associated with both the proposed and current Recordkeeping and Disclosures requirements of FDIC Part 339. The proposed section of the table includes the requirements of lenders to ensure flood insurance is maintained over the life of certain loans (secured by properties located in special flood hazard areas). Inclusion of these additional requirements more accurately reflects respondent burden associated with FDIC Part 339.

The FDIC has estimated that the 4,421 FDIC-supervised institutions[1] make on average 336 home loans per year.[2] For each of these loans, FDIC-supervised institutions must comply with the recordkeeping requirement by retaining a copy of the standard FEMA form used to determine if a loan is secured by property located in a special flood hazard area.

The amounts in the following table reflect the recordkeeping and disclosure requirements burden estimated by the FDIC for FDIC-supervised institutions.

[1] Number of institutions as of quarter ending March 31, 2013.
[2] This includes an estimate of 20 home loans made on average by non-HMDA reporting FDIC-supervised institutions.

	Number of Respondent	*Estimated Annual Frequency*	*Estimated Average Time Per Response*	*Estimated Annual Burden Hours*
Existing Burden				
***Recordkeeping*:**				
Retention of standard FEMA form	4,421	336	2.5 minutes	61,894
***Disclosures*:**				
Notice of special flood hazards to borrowers and servicers	4421	67	5 minutes	24,684
Notice to FEMA of servicer	4,421	67	5 minutes	24,684
Notice to FEMA of change of servicer	4,421	34	5 minutes	12,526
Notice to borrowers of lapsed mandated flood insurance	4,421	13	5 minutes	4,789
Purchase of flood insurance on borrower's behalf	4,421	3	15 minutes	3,316
Notice to borrowers of lapsed mandated flood insurance due to remapping	4,421	7	5 minutes	2,579
Purchase of flood insurance on the borrower's behalf due to remapping	4.421	4	15 minutes	4,421
New Burden				
Escrow Notice	4,421	1	40 hours	176,840
Total Burden	4,421			315,733

13. Total Annual Cost Burden

The total cost of the recordkeeping and disclosures is estimated to be $2,272,289.[3]

14. Annualized Cost to the Federal Government

Not applicable.

15. Reason for Program Changes or Adjustments

Statutory change, and estimate adjustment.

16. Publication

No publication is made of the information.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

[3] Total cost to the public was estimated using the following formula: Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate. 99% of the time is performed by administrative staff at $16 and 1% of the time is performed by management/legal staff at $52.