

Office of the Comptroller of the Currency
Supporting Statement
Loans in Areas Having Special Flood Hazards – 12 CFR 22
OMB Control No. 1557-0202

A. Justification.

1. Circumstances that make the collection necessary:

This collection of information is set forth in OCC regulations at 12 CFR Parts 22 and is required by section 303(a)¹ and title V of the Riegle Community Development and Regulatory Improvement Act,² the National Flood Insurance Reform Act of 1994 amendments to the National Flood Insurance Act of 1968,³ and the Flood Disaster Protection Act of 1973.⁴ The collection of information pertain to loans secured by buildings and mobile homes located or to be located in areas determined by the director of the Federal Emergency Management Agency (FEMA) to have special flood hazards.

The OCC, FRB, FDIC, FCA, and NCUA have issued a proposed rule to amend their regulations regarding loans in areas having special flood hazards to implement provisions of the Biggert-Waters Flood Insurance Reform Act of 2012. 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. The OCC and the FDIC are also proposing to integrate their flood insurance regulations for national banks and Federal savings associations and for State non-member banks and State savings associations, respectively.

2. Use of the information:

Proposed Rule:

Proposed § 22.5 adds a notice requirement stating that institutions or services that are required to escrow all premiums and fees for required flood insurance must issue a written notice to the borrower.

This information collection is required to evidence compliance with the requirements of the Federal flood insurance statutes with respect to lenders and servicers. Because the Agencies do not collect any information, no issue of confidentiality arises.

Entities subject to the Agencies' existing flood insurance rules will have to review and revise disclosures that are currently provided to ensure that such disclosures accurately reflect the disclosure

1 12 U.S.C. 4804.

2 42 U.S.C. 4104(a).

3 12 U.S.C. 4104a and 4104b.

4 12 U.S.C. 4012a and 4106(b).

requirements in this proposed rule. Entities subject to the rule may also need to develop new disclosures to meet the proposed rule's timing requirements.

Existing Rule - Notices and Disclosure Requirements:

12 CFR 22.6 -- Required Use of Standard Flood Hazard Determination Form -- A national bank or Federal savings association must use the Standard Flood Hazard Determination Form developed by FEMA and must maintain a copy of the completed form for the period the bank or savings association owns the loan.

12 CFR 22.7 -- Notice of Forced Placement of Flood Insurance -- If the borrower has not obtained required flood insurance or has purchased inadequate coverage, a national bank, Federal savings association, or its loan servicer must notify the borrower that the borrower should obtain adequate flood insurance coverage (forced placement notice). The forced placement notice informs the borrower of the amount of flood insurance to purchase. If the borrower fails to purchase insurance, the bank, savings association, or its servicer will purchase insurance on the borrower's behalf and may charge the borrower for the premiums and fees.

12 CFR 22.9 -- Notice to Borrower and Servicer -- A national bank or Federal savings association making, extending, increasing or renewing a loan secured by property located in a special flood hazard area must provide a notice to the borrower and loan servicer (borrower notice). The borrower notice advises the borrower that the property securing the loan is located in a special flood hazard area and that flood insurance on the property securing the loan is required. It includes a description of the flood insurance purchase requirements and provides the borrower with information regarding whether flood insurance is available under the National Flood Insurance Program and the availability of Federal assistance in the event of a declared Federal flood disaster. The notice is used by the borrower to make borrowing decisions, including the collateral to be used to secure the loan. The notice is used by the loan servicer to carry out its servicing responsibilities.

12 CFR 22.10 -- Notices to FEMA -- A national bank or Federal savings association making, increasing, extending, renewing, selling or transferring a loan secured by property located in a special flood hazard area must notify the Director of FEMA (or FEMA's designee) of the identity of the loan servicer (notice of servicer), and must notify the Director of FEMA of any change in the loan servicer (notice of servicer transfer) within 60 days of such change. FEMA uses the notice of servicer and notice of servicer transfer to maintain current information regarding to whom to direct notices or inquiries regarding flood insurance or to send notices of flood insurance policy renewals.

Existing Rule - Recordkeeping Requirements

12 CFR 22.6(b) -- Retention of Standard Flood Hazard Determination Form -- A national bank or Federal savings association must retain a copy of the completed Standard Flood Hazard Determination Form for the period of time the bank or savings association owns the loan. The OCC uses this record to verify regulatory compliance.

12 CFR 22.9 -- Record of Borrower and Servicer Receipt of Notice and Alternate Method of Notice -- A national bank or Federal savings association must retain a record of the receipt of the borrower notice by the borrower and the loan servicer for the period of time the bank or savings association owns the loan. In lieu of providing the borrower notice, a bank or savings association may obtain a satisfactory written assurance from a seller or lessor that, within a reasonable time before completion of the sale or lease transaction, the seller or lessor has provided such notice to the purchaser or lessee. The bank or savings association must retain a record of the written assurance from the seller or lessor for the period of time the bank owns the loan. The OCC uses these records to verify regulatory compliance.

3. Consideration of the use of improved information technology:

The notice of servicer and the notice of servicer transfer sent to FEMA may be provided electronically, if such transmission is acceptable to FEMA or FEMA's designee. The standard flood hazard determination form may be used in an electronic manner, and retention of the copy of the standard flood hazard determination may be done electronically.

4. Efforts to identify duplication:

The information required is unique to the bank and to the loan. It is not duplicated elsewhere.

5. Methods used to minimize burden if the collection has an impact on a substantial number of small entities:

Not applicable.

6. Consequences to the Federal program if the collection were conducted less frequently:

The information collection generally is conducted only for loans secured by buildings or mobile homes located in special flood hazard areas. Less frequent notice would substantially impair the effectiveness of the program.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320:

None. The information collection is conducted in accordance with OMB guidelines in 5 CFR part 1320.

8. Efforts to consult with persons outside the agency:

The agencies have requested comment on the information collection requirements contained in the existing and proposed rules as part of the proposed rule. 78 FR 65108.

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

There is no assurance of confidentiality.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Burden estimate:

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated response time</i>	<i>Estimated annual burden hours</i>
<i>Recordkeeping</i>				
Retention of standard FEMA form	1316	3,591	2.5 minutes	196,907
<i>Disclosures</i>				
Notice of special flood hazards to borrowers and servicers	1316	718	5 minutes	78,741
Notice to FEMA of servicer	1316	718	5 minutes	78,741
Notice to FEMA of change of servicer	1316	359	5 minutes	39,370
Notice to borrowers of lapsed mandated flood insurance	1316	144	5 minutes	15,792
Purchase flood insurance on the borrower's behalf	1316	36	15 minutes	11,844
Notice to borrowers of lapsed mandated flood insurance due to remapping	1316	72	5 minutes	7,876
Purchase flood insurance on the borrower's behalf due to remapping	1316	36	15 minutes	11,844
<i>Total without Proposed Rule</i>				441,115
New Escrow Requirement	1316	1	40 hours	52,640
<i>Total Burden for Collection</i>				493,755

The estimated cost of the ongoing burden is as follows:

Clerical: 99% @ 441,115 @ \$20 \$ 8,734,077

Middle mgmt:	01% @ 441,115 @ \$40	\$ 176,446
Total:		\$ 8,910,523

13. Estimate of start-up costs:

Clerical:	99% @ 52,640 @ \$20	\$ 1,042,272
Middle mgmt:	01% @ 52,640 @ \$40	\$ 21,056
Total:		\$ 1,063,328

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

Former:	2,251 respondents;	363,012 hours
New:	1,316 respondents;	493,755 hours
Difference:	- 935 respondents;	+ 130,743 hours

The reduction in the number of respondents is due to the availability of more accurate data. The increase in burden hours is due to the addition of requirements under the proposed rule.

16. Information regarding collections whose results are planned to be published for statistical use:

Publication for statistical use is not contemplated.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

Not applicable.

B. Collections of Information Employing Statistical Methods.

Not applicable.