SUPPORTING STATEMENT
Loans in Areas Having Special Flood Hazards – Private Flood Insurance
(OMB Control No. 3064-NEW)

INTRODUCTION

The FDIC is requesting approval from the OMB to establish a new information collection comprised of reporting and recordkeeping requirements contained in a notice of proposed rulemaking on "Loans in Areas Having Special Flood Hazards – Private Flood Insurance (the Proposed Rule), jointly issued by the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), the Farm Credit Administration (FCA) and the National Credit Union Administration (NCUA), to amend their regulations regarding loans in areas having special flood hazards to implement the private flood insurance provisions of the Biggert-Waters Flood Insurance Reform Act of 2012.

A. Justification.

1. Circumstances that make the collection necessary:

Section 100239 of the Biggert-Waters Flood Insurance Reform Act of 2012 requires each federal banking agency (including the FDIC), and the Farm Credit Administration, to adopt implementing regulations to direct regulated lending institutions to accept "private flood insurance," as defined by the Biggert-Waters Act. A lending institution would be required to implement policies and procedures to comply with the Biggert-Waters Act provision and verify in writing that a private insurance policy satisfies the criteria included in the definition or document findings that separate required criteria have been met when accepting a private flood insurance policy in satisfaction of the mandatory flood insurance purchase requirement of the Flood Disaster Protection Act. 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:

The FDIC will use the information to examine institutions for compliance with the private flood insurance provisions of the regulation.

3. Consideration of the use of improved information technology:

Any information technology may be used that permits review by FDIC examiners.

4. Efforts to identify duplication:

The information required is unique and does not duplicate information collected elsewhere.

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

The collection is not expected to have an impact on a substantial number of small entities. Small banks generally originate and service fewer real estate loan products than larger institutions.

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

The collection is event-generated, that is, it results from the bank accepting a private flood insurance policy in lieu of a federal insurance policy offered by the Federal Emergency Management Agency. Conducting the collection less frequently would be at odds with the goals of the statute and the regulation and present safety and soundness risks.

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

None, except that records must be maintained for the period of time respondent/recordkeeper owns the loan and the private flood insurance policy covers the loan.

8. Efforts to consult with persons outside the agency:

In developing this proposal, the FDIC consulted with the Federal Reserve Board, the OCC, NCUA and the Farm Credit Administration as a means of promoting alignment across regulations and avoiding redundancy. The FDIC published the proposed rule in the Federal Register on November 7, 2016 (81 FR 78063) and will seek public comments on its PRA impact for a period of 60 days as required by 5 CFR part 1320.

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

The information will be kept private to the extent permitted by law.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature. No personally identifiable information is collected.

12. Burden estimate:

The existing burden estimates for the information collection associated with the proposed rule are as follows:

Section	**Description**	**Type of Burden**	**Number of Respondents**	**Annual Frequency**	**Time per Response (hours)**	**Total Estimated Burden Hours**
	One-time implementation of policies and procedures.	Recordkeeping	3,860	1	20	77,200
339.3(c)(2)(i)	Policy deemed to meet definition if the policy includes, or is accompanied by, a written summary that demonstrates that the policy contains each criterion included in the definition of private flood insurance in paragraph section 339.2(k), with the specific provisions in the policy identified, and that the insurer is regulated in accordance with that definition.	Disclosure	100	1	10	1,000
339.3(c)(2)(ii)	The-supervised institution verifies in writing that the policy includes the provisions identified by the insurer in the summary provided pursuant to paragraph (c)(2)(i) of this section and that these provisions satisfy the criteria included in the definition.	Recordkeeping	3,860	7	1	27,020
339.3(c)(3)(iii)	Discretionary Acceptance Criteria:- supervised institution documents its findings that required criteria have been met.	Recordkeeping	3,860	3	2	23,160
339.3(c)(3)(iv)	Exception for mutual aid societies - supervised institution documents its conclusions that the required criteria have been met.	Recordkeeping	3,860	1	2	7,720
Total						**136,100**

FEMA lists 100 companies as providing private flood insurance. Assuming these companies will want to continue to participate in this market, FDIC assumes that each company will spend 40 hours per year assuring and documenting that its flood insurance policies meet the regulation's requirements. The total estimated annual burden of 4,000 hours is being shared equally by all four agencies (each assuming 25% of the burden or 1,000 hours).

The agencies looked at the reported total number of relevant real estate-secured loans and determined that FDIC regulated institutions hold approximately 26% of those loans. FEMA reports that the total number of flood policies in high risk areas is 3,537,059. All agencies are assuming that 4.5% of these flood insurance policies (159,168) will become private. 41,384 (26% of 159,169) of these private flood insurance policies will relate to loans handled by FDIC supervised institutions. There are 3,860 FDIC supervised institutions; therefore, each will review approximately 10.72 loans. FDIC assumes that 65% of these loans (7 loans) will be subject to "standard" review under §339.3(c)(2)(ii). FDIC assumes that 25% of these loans (3 loans) will be subject to "discretionary" review under §339.3(c)(3)(iv)(B)(3). FDIC assumes that 10% of these loans (1 loan) will be a "mutual aid society" loan per §339.3(c)(4)(iv)(C).

13. Estimate of annualized costs to respondents (excluding cost of hour burden in Item #12):

None.

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

The increase in burden is due to the fact that this is a new collection.

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

No publication for statistical use is contemplated.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

Not applicable.

B. Collections of Information Employing Statistical Methods.

Not applicable.