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

INTRODUCTION

The FDIC is requesting OMB approval for the extension, without change, of the recordkeeping and disclosure 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 Riegle Community Development Act requires that each institution also provide a copy of the notice to the servicer of the loan (if different from the originating lender).

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 original 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. The rule remains substantially unchanged to date.

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 60-day Federal Register notice seeking comment was published on July 6, 2017, (82 FR 31325). No comments were received.

9. Payment or Gift to Respondents

None.

10. Confidentiality

All required records will be kept private to extent permitted by law.

11. Information of a Sensitive Nature

This requirement contains no sensitive information.

12. Estimates of Annualized Burden

FDIC estimates total annual burden to be **111,540 hours.** To obtain this figure, FDIC relied on: (a) data from the Federal Emergency Management Agency (FEMA) as of May 2017; (b) FDIC Call Report data as of March 31, 2017; and (c) Federal Reserve Board mortgage data as of March 31, 2017.

<table>
<tr><td></td><td colspan="7">Table 1: Burden Calculation</td></tr>
<tr><td></td><td>Item</td><td>Share of Burden</td><td>Hours</td><td>Share</td><td>Hours</td><td>Hours</td><td>Total Hours</td></tr>
<tr><td>1</td><td>Disclosure to the Borrower</td><td rowspan="3">50%</td><td rowspan="3">0.50</td><td rowspan="2">90%</td><td rowspan="2">0.45</td><td>0.225</td><td>25,097</td></tr>
<tr><td>2</td><td>Disclosure to the Servicer</td><td>0.225</td><td>25,097</td></tr>
<tr><td>3</td><td>Report to FEMA of a Change in Servicer</td><td>10%</td><td>0.05</td><td>0.05</td><td>5,577</td></tr>
<tr><td>4</td><td>Recordkeeping (Bank keeps a copy of all notifications)</td><td>50%</td><td>0.50</td><td></td><td>0.50</td><td>0.50</td><td>55,770</td></tr>
<tr><td></td><td></td><td></td><td>1.0</td><td></td><td>1.0</td><td>1.0</td><td>111,540</td></tr>
</table>

Respondents (FDIC supervised banks with real estate loans)	3,718
Frequency (Average no. of real estate loans serviced w/flood ins)	30
Total burden	**111,540**

Sources: FDIC, FEMA, Federal Reserve Board.

FEMA reported there were 4,983,954 flood insurance policies in effect with a total insured value of $1,238,657,149,400.[1]

FDIC Call Report data showed that as of March 31, 2017, there were a total of 5,790 FDIC-insured institutions with a total of $4.25 trillion in 1-4 family; multifamily, nonfarm, nonresidential, and agricultural loans secured by real estate. As of March 31, 2017, there were 3,718 FDIC-regulated institutions with a total value of about $1.19 trillion in these loans. Based on the foregoing, we estimate that FDIC-regulated banks hold 27.9% of these assets.

[1] https://www.fema.gov/flood-insurance-statistics-current-month (accessed June 15, 2017).

The Federal Reserve Board reported $14.41 trillion in mortgage debt outstanding in the U.S., with $4.63 trillion (32.4%) held by depository institutions.[2] Since this total debt held by banks is close to the value of these real estate loans from Call Report data, we have confidence that we can meld the data sets for estimation purposes. We therefore assume that 32.4% of the value of flood insurance policies will be held by U.S. commercial banks: $401 billion.

In the absence of any data on the number of real estate loans with flood insurance at any bank, we resort to apportion 32.4% of the number of flood insurance policies (1,614,801) to commercial banks, and 27.9% of those to FDIC-regulated institutions (451,177). Because the value of property varies greatly between different geographical regions and different banks, it is doubtful that this estimation of the number of policies is accurate. However, there exists no other reasonable method for deriving the number of policies at each bank given available data.

Next, we apportioned the 451,177 flood insurance policies to each FDIC-regulated institution according to its share of real estate loans to total real estate loans. The resulting apportionment results in an average of 121 policies per bank, and a median of 30 policies per bank. Because the average is skewed by the large number of policies at large banks, we believe the median is a better measure for calculating burden hours.

Our subject-matter experts (SMEs) for this rule believe that the total burden to the public for complying with this rule is 1.0 hours per policy. We find four PRA related tasks in this rule: 1) Disclosure to Borrowers, 2) Disclosure to Servicers, 3) Reporting to FEMA of Changes in Coverage, and 4) Recordkeeping for tasks 1-3 above. We assume that Recordkeeping will comprise ½ hour, and the remaining ½ is split between the other tasks. We assume that 90% of policies will involve a new origination, and 10% of policies will involve a change in status.

With 3,718 respondents holding a median of 30 policies and 1 hour of burden per policy, we calculate a total burden of 111,540 hours. This burden is apportioned to each task as shown in Table 1 above.

To estimate wages, we used data from the May 2016 *National Industry-Specific Occupational Employment and Wage Estimates* for the Depository Credit Intermediation sector. We used the 75th percentile wages as a conservative estimate of the costs. *See* Table 2.

Table 2: 75th Percentile Wages by Occupation, Depository Credit Intermediation Sector

Occupation (Std. Occupational Classification code)	*Hourly*

[2] https://www.federalreserve.gov/econresdata/releases/mortoutstand/mortoutstand20170331.htm (accessed June 15, 2017).

	Wage
Office and Administrative Support (430000)	$19.91

Source: BLS Specific Occupational Employment and Wage Estimates (May 2016).

We adjust this nominal wage data to more accurately reflect the labor costs borne by covered institutions. According to March 2017 estimates from the BLS, benefits are 35.6 percent of total compensation, on average, across all occupations in the nation. The inflation rate from May 2016 through March 2017 was 1.83 percent.

Consequently, the adjusted wages are as follows:

Table 3: Wages by Occupation, Adjusted for Benefits and Inflation

Occupation	*Adjusted Hourly Wage*
Office and Administrative Support (430000)	$31.49

Note: Using the nationwide 75th Percentile wages for the Depository Credit Intermediation Sector.

Sources: BLS Specific Occupational Employment and Wage Estimates (May 2016), Employer Cost of Employee Compensation (December 2016), and the BLS CPI-U (March 2017)

Consequently, Office and Administrative Support staff working for 111,540 hours at $31.49 will cost respondents a total of $3,512,395.

13. Total Annual Cost Burden

None.

14. Annualized Cost to the Federal Government

None.

15. Reason for Change in Burden

There is no change in the method or substance of the collection. There is an overall reduction in burden hours which is the result of (1) economic fluctuation reflected by a decrease in the number of FDIC-supervised institutions and (2) a decrease in the number of flood insurance policies nationally. In particular, the number of respondents and the frequency of response (number of loans) have decreased while the hours per response remain the same.

16. Publication

No publication is made of the information.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.