SUPPORTING STATEMENT
LOANSD IN AREAS HAVING SPECIAL FLOOD HAZARDS
(OMB No. 3064-0207)

INTRODUCTION

The FDIC is requesting OMB approval for renewal, with revisions, of a collection of information containing 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 information collection expires on May 31, 2022.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

Background:

A number of the sections of Title V of the Riegle Community Development Act (RCDRIA) require federal banking agencies (including the FDIC), and the Farm Credit Administration, to adopt implementing regulations. Under RCDRIA and its implementing regulations, 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. RCDRIA requires that each institution also provide a copy of the notice to the servicer of the loan (if different from the originating lender).

2. Use of the information:

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. Consideration of the use of improved information technology:

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. Efforts 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.

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

The final rule is not expected to have a significant impact on a substantial number of small entities.

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

These are occasional collections, required by statute. Collecting the information less frequently would be prejudicial to the administration of the NFIP.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

There are no special circumstances. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

A notice of proposed rulemaking was published in the Federal Register on April 10, 2022 (87 FR 21123) which included a request or comments on the Paperwork Reduction Act implications of the proposed rule. No comments have been received.

9. Payments or gifts to respondents:

None.

10. Any assurance of confidentiality:

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

11. Justification for questions of a sensitive nature:

The information collection does not request information of a sensitive nature.

12. Estimate of hour burden including annualized hourly costs:

The requirements imposed by Part 339, as discussed above, impose upon certain members of the public recordkeeping and disclosure requirements, as defined by the Paperwork Reduction Act. This information collection (IC) was last approved for renewal on 5/16/2019 with five line items, an estimated 2,110,185 annual responses, a total burden estimate of 527,547 hours, and an annual cost burden of approximately $17.3 million (2019 ICR).[1] Upon review of this IC and the corresponding information collections for institutions supervised by the Federal Reserve (OMB No 7100-0280) and Office of the Comptroller of Currency (OMB No 1557-0326), the FDIC has decided to revise the line items in this IC and re-estimate the burdens for each line item. The revisions to the lines items, and the reasons for the revisions, are as follows:

1. The 2019 ICR included a single line item called 'Disclosure to the Borrower' and another called 'Disclosure to the Servicer.' Each of these line items referred to the requirement in Part 339.9(a) for FDIC-supervised institutions to disclose to both the borrower and the loan servicer whether flood insurance is available under the National Flood Insurance Act of 1968 for a property that secures a designated loan. For this renewal I combine the estimated burden associated with disclosure to the loan servicer and disclosure to the borrower into a single line item since the estimated burden hours relate to the same requirement and are identical for the disclosure to both the borrower and the loan servicer.

2. The 2019 ICR did not include a line item associated with the requirement in Part 339.5(b) for an FDIC-supervised institution to notify the borrower of the institution's requirement to escrow payments and fees for flood insurance provided that the loan, or the flood insurance policy that covers the property securing the loan, does not meet any of the exception criteria outlined in Part 339.5(a)(2) and the institution does not meet any of the exception criteria outlined in Part 339.5(c)(1). I added a line item associated with this requirement to the burden table for the 2022 renewal.

3. The 2019 ICR did not include a line item associated with the requirement in Part 339.5(c)(2) for an FDIC-supervised institution to comply with the requirements of Part 339.5(b), discussed above, beginning in July of the year in which the institution ceases to meet the exception criteria outlined in Part 339.5(c)(1). I added a line item associated with this requirement to the burden table for the 2022 renewal.

[1] OMB's website (http://www.reginfo.gov) reports an annual burden of 527,547 hours and does not report an annual cost. The accompanying supporting statement reports an annual burden of 528,542 hours at an hourly compensation rate of $32.79, for a total annual cost of $17,330.892. I use the annual burden reported on www.reginfo.gov as the estimate of record for the 2019 ICR.

4. The 2019 ICR did not include a line item associated with the requirement in Part 339.5(d)(2) for an FDIC-supervised institution that ceases to meet the exception criteria in Part 339.5(c)(1) to notify the borrower of the option to escrow payments and fees for flood insurance for each loan it holds for which the loan, or the flood insurance policy covering the property that secures the loan, does not meet the exception criteria in Part 339.5(a)(2). I added a line item associated with this requirement to the burden table for the 2022 renewal.

5. The 2019 ICR did not include a line item associated with the requirement in Part 339.6(b) for an FDIC-supervised institution to retain, for as long as the institution owns the loan, a completed copy of the standard FEMA flood hazard determination form used to determine whether the property securing a loan is located in a SFHA. I added a line item associated with this requirement to the burden table for the 2022 renewal.

6. The 2019 ICR did not include a line item associated with the requirement in Part 339.7(a) for an FDIC-supervised institution to notify a borrower to obtain, or increase, flood insurance coverage for a property located in a SFHA if the institution determines that the amount of flood insurance coverage for the property does not meet the requirements of Part 339.3(a). I added a line item associated with this requirement to the burden table for the 2022 renewal.

7. The 2019 ICR did not include a line item associated with the requirement in Part 339.7(b)(1)(i) for an FDIC-supervised institution to notify an insurance provider from which the institution purchased flood insurance on behalf of a borrower, within 30 days of confirms that the borrower has obtained adequate flood insurance coverage, to terminate the insurance coverage that the institution purchased on behalf of a borrower. I added a line item associated with this requirement to the burden table for the 2022 renewal.

8. The 2019 ICR did not include a line item associated with the requirement in Part 339.10(a) for an FDIC-supervised institution to notify the Administrator of FEMA of the identity of the loan servicer for a designated loan. I added a line item associated with this requirement to the burden table for the 2022 renewal.

The FDIC has updated estimates of the amount of time required to complete the requirements of this information collection, as well as estimates of how the work required for this IC would be apportioned among individuals who possess those professional skills. The FDIC also made certain assumptions discussed below in order to estimate the annual burden hours associated with this IC.

Potential respondents to this IC include any FDIC-supervised institution that originates a loan collateralized by a building or mobile home. As an estimate, FDIC counts as potential respondents all FDIC-supervised institutions that hold some volume of loans secured by real estate. As of December 31, 2021 there were 3,128 FDIC-supervised institutions, out of which 3,106 held some volume of loans secured by real estate.[2] Of these 3,106 institutions, 2,174 are considered "small" for purposes of the Regulatory Flexibility Act (RFA).[3]

The requirements in Part 339 that create recordkeeping, reporting, or disclosure requirements for FDIC-supervised institutions are described below, along with estimates of the annual number of respondents, the annual number of responses, and the annual number of responses per respondent.

1. Parts 339.3(c)(3)(iv) and 339.3(c)(4)(iv): Private flood insurance

Description: Parts 339.3(c)(3)(iv) and 339.3(c)(4)(iv) require any FDIC-supervised institution that originates a designated loan for which flood insurance coverage for the property securing the loan is provided by a private insurer (339.3(c)(3)(iv)) or a mutual aid society[4] (339.3(c)(4)(iv)) to document its conclusion, in writing, that the policy provides sufficient protection for the designated loan, consistent with general safety and soundness principles.

Type of Requirement: Recordkeeping

Estimated Annual Number of Respondents: FDIC assumes that all 3,106 FDIC-supervised institutions that hold some volume of loans secured by real estate will incur this burden.

Estimated Annual Number of Responses: FEMA reports that there were 4,875,730 NFIP policies in force as of December 2021.[5] Further, data from the National Association of Insurance Commissioners (NAIC) show that, as of year-end 2019 (the most recent year for which the NAIC reports data), there were 403,937 private flood insurance policies in force.[6] Using these figures, FDIC estimates a 1:12.07052 ratio

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[2] FDIC Call Report data, December 2021

[3] The Small Business Administration (SBA) defines a small banking organization as having $600 million or less in assets, where an organization's "assets are determined by averaging the assets reported on its four quarterly financial statements for the preceding year." See 13 CFR 121.201 (as amended by 84 FR 34261, effective August 19, 2019). In its determination, the "SBA counts the receipts, employees, or other measure of size of the concern whose size is at issue and all of its domestic and foreign affiliates." See 13 CFR 121.103. Following these regulations, the FDIC uses a covered entity's affiliated and acquired assets, averaged over the preceding four quarters, to determine whether the covered entity is "small" for the purposes of the RFA.

[4] Part 339.2 defines a mutual aid society as an organization whose members share a common religious, educational, or fraternal bond, that covers losses caused by damage to members' property pursuant to an agreement, including damage caused by flooding, in accordance with this common bond, and that has a demonstrated history of fulfilling the terms of agreements to cover losses to members' property caused by flooding.

[5] Available at https://nfipservices.floodsmart.gov/reports-flood-insurance-data

[6] National Association of Insurance Commissioners. "Private Flood Insurance: 2020 State Data Call." https://tableau.naic.org/views/PFloodDataCall_16057353537510/StateSummary?%3AshowAppBanner=false&%3Adisplay_count=n&%3AshowVizHome=n&%3Aorigin=viz_share_link&%3AisGuestRedirectFromVizportal=y&%3Aembed=y

of private flood insurance policies to NFIP policies.[7] Furthermore, FDIC assumes that this ratio applies to counts of annual issuances of flood insurance policies as well as counts of the number of flood insurance policies in force.

Data from FEMA show that 6,474,405 flood insurance policies were issued through the National Flood Insurance Program (NFIP) between 2017 and 2021, and that, of those, 2,778,485 were not 'Preferred Risk' policies and therefore covered properties located in SFHAs, for an average of 555,697 NFIP policies issued per year that cover properties located in SFHAs.[8] Using the 1:12.07052 ratio calculated above, FDIC estimates the number of private flood insurance policies issued per year that cover properties in SFHAs as 46,038.[9]

Data from the Federal Reserve Bank of St. Louis show that U.S.-chartered depository institutions held 28.757 percent of mortgage debt in the United States as of December 2021.[10] FDIC Call Report data[11] show that FDIC-supervised institutions held 32.353 percent of the value of all loans secured by real estate among FDIC-insured institutions as of December 31, 2021.[12] I use these percentages to estimate the share of mortgage debt held by FDIC-supervised institutions as 9.304 percent.[13]

Assuming that FDIC-supervised institutions hold the same share of loans secured by properties covered by flood insurance as they do of aggregate mortgage debt, FDIC estimates that FDIC-supervised institutions originate 4,283[14] loans annually for which the property securing the loan is located in a SFHA and the flood insurance policy is issued by a private insurer.

Estimated Annual Number of Responses per Respondent: Based on the above estimate of 4,283 designated loans originated by FDIC-supervised institutions each year and the estimate of 3,106 FDIC-supervised institutions originating a designated loan each year, FDIC estimates an annual response rate of one response per respondent.[15]

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[7] 4,875,730 / 403,937 = 12.07052

[8] Federal Emergency Management Agency. OpenFEMA Dataset: FIMA NFIP Redacted Policies – v1. https://www.fema.gov/openfema-data-page/fima-nfip-redacted-policies-v1

[9] 555,697 / 12.07052 = 46,038

[10] U.S.-chartered depository institutions held $5,170,539 million in mortgage debt as of Q4 2021, while total mortgage debt outstanding was $17,980,412 million. 5,170,539 / 17,980,412 = 0.28757. See FRED Economic Data. Z.1 Financial Accounts of the United States Release Tables: Mortgage Debt Outstanding, Millions of Dollars; End of Period. https://fred.stlouisfed.org/release/tables?rid=52&eid=1192326

[11] Call Report data shows the volume of loans secured by real estate held by FDIC-insured institutions as of December 31, 2021 as $5,267,525.646 million. While this value is not identical to the value reported by the Federal Reserve Bank of St. Louis, it is close enough (less than a two percent difference) that FDIC feels comfortable using Call Report data and Federal Reserve data together for this analysis.

[12] FDIC-supervised institutions held $1,704,203.190 million in loans secured by real estate, while all FDIC-insured institutions held $5,267,525.646 million in loans secured by real estate. 1,704,203.190 / 5,267,525.646 = 0.32353

[13] 28.757 percent x 32.353 percent

[14] 46,038 x 0.09304 = 4,283

[15] 4,283 / 3,106 = 1.38. FDIC rounds to the nearest whole number and estimates that each institution would issue one such loan annually.

2. **Part 339.6(b): Standard flood hazard determination form**

Description: Part 339.6(b) requires any FDIC-supervised institution that originates a loan secured by a property that includes a building or mobile home to retain a copy of the completed standard FEMA flood hazard determination form, used to determine whether the property is located in a SFHA, for as long as the institution owns the loan.

Type of Requirement: Recordkeeping

Estimated Annual Number of Respondents: FDIC assumes that all 3,106 FDIC-supervised institutions that hold some volume of loans secured by real estate will incur this burden.

Estimated Annual Number of Responses: Data reported under the Home Mortgage Disclosure Act (HMDA data) show that FDIC-supervised institutions originated an average of 920,139 loans secured by residential real estate per year from 2016 through 2020.[16] Further, FDIC estimates that FDIC-supervised institutions originated an average of 53,516 loans secured by commercial real estate per year from 2016 to 2020.[17] Therefore, the agency estimate of the annual number of originations of loans secured by real estate by FDIC-supervised institutions for which flood insurance may be required[18] is 973,655.[19]

Estimated Annual Number of Responses per Respondent: FDIC estimates that each FDIC-supervised institution that holds some volume of loans secured by real estate

[16] Specifically, HMDA data show that FDIC-supervised institutions originated 913,012, 782,229, 777,070, 888,567, and 1,239,817 loans secured by residential real estate in each year from 2016 to 2020, respectively. These data are available from the Consumer Financial Protection Bureau (CFPB) at https://www.consumerfinance.gov/data-research/hmda/historic-data/

[17] Institutions report their dollar volume and number of loans secured by owner-occupied and non-owner occupied nonfarm nonresidential properties on Call Report Schedule RC-C Part II. The dollar volume and number of loans is reported with origination values of $100,000 and less, $100,000 to $250,000, and $250,000 to $1 million. FDIC assumes that the dollar value of loans issued by FDIC-supervised institutions that are secured by nonfarm nonresidential properties is normally distributed, and estimate an average loan value for each institution as of December 31 of each year. FDIC then divides the change in the volume outstanding of these loan types over the previous year by the derived estimate of the average loan value for each institution to produce an estimate of the number of loans originated by each institution in each year (if the volume of loans secured by nonfarm nonresidential properties declined over the year, FDIC assumes the institution did not originate any loans secured by nonfarm nonresidential properties over the year). Finally, FDIC increases this estimate by 15 percent to account for refinancing activity of the year. The 15 percent estimate is based on supervisory experience since the FDIC does not currently have access to information that would enable a more empirical estimate.

[18] Part 339.3(a) does not require flood insurance for loans secured by land that does not include a building or mobile home. Institutions report their volume of loans secured by farmland and loans secured by land intended for construction and development on Call Report Schedule RC-C, but I do not include estimates of the number of originations of these types of loans in my estimate of the burden associated with requirements in Part 339.

[19] 920,139 + 53,516 = 973,655

originates 313 loans annually that are secured by real estate that includes a building or mobile home.[20]

3. 339.9(d): Record of receipt of notice of special flood hazards and availability of Federal disaster relief assistance

Description: Part 339.9(d) requires any FDIC-supervised institution that issues a designated loan to retain a record of receipt of the notices delivered to the borrower and loan servicer required under Part 339.9(a) for as long as the institution owns the loan.

Type of Requirement: Recordkeeping

Estimated Annual Number of Respondents: FDIC assumes that all 3,106 FDIC-supervised institutions that hold some volume of loans secured by real estate will incur this burden.

Estimated Annual Number of Responses: An average of 555,697 NFIP flood insurance policies were issued annually from 2017 to 2021 that covered properties in SFHAs, and FDIC estimates that 46,038 private flood insurance policies are issued per year that cover properties located in SFHAs. Therefore, FDIC estimates that a total of 601,735 flood insurance policies are issued annually that cover properties located in SFHAs.[21] Using the methodology described above, FDIC further estimates that 55,985 of these policies cover properties that serve as collateral for loans originated by FDIC-supervised institutions.[22] Since Part 339.9(d) requires an FDIC-supervised institution to retain a receipt of the notice to both the borrower and the loan servicer for each designated loan it originates, FDIC estimates 111,970 responses to this requirement annually.[23]

Estimated Annual Number of Responses per Respondent: Based on the estimates and assumptions discussed above, FDIC estimates that each FDIC-supervised institution that holds some volume of loans secured by real estate retains records of receipt of 36 notices per year, on average, to comply with the requirements in Part 339.9(d).[24]

4. Part 339.5(b): Notice of requirement to escrow flood insurance payments and fees

Description: Part 339.5(b) requires any FDIC-supervised institution that issues a designated loan to notify the borrower that the institution is required to escrow payments and fees for flood insurance if the loan does not meet any of the exception

[20] 973,655 / 3,106 = 313.48. FDIC rounds 313.48 to the nearest whole number and estimate each institution originates 313 loans secured by real estate that includes a building or mobile home annually.
[21] 555,697 + 46,038 = 601,735
[22] 601,735 x 0.09304 = 55,985
[23] 55,985 x 2 = 111,970
[24] 111,970 / 3,106 = 36.05. FDIC round to the nearest whole number and estimate 36 responses annually per affected institution.

criteria outlined in Part 339.5(a)(2).[25] Part 339.5(c)(1) specifies that this requirement only applies to institutions that had at least $1 billion in total assets as of December 31 of each of the prior two calendar years, and that, on or before July 6, 2012, were not required under Federal or State law to deposit taxes, insurance premiums, fees, or any other charges in an escrow account for the entire term of any loan secured by residential improved real estate or a mobile home; and did not have a policy of consistently and uniformly requiring the deposit of taxes, insurance premiums, fees, or any other charges in an escrow account for any loans secured by residential improved real estate or a mobile home.

Type of Requirement: Third-Party Disclosure

Estimated Annual Number of Respondents: FDIC assumes that all 470 FDIC-supervised institutions that reported assets of at least $1 billion as of December 31 of both 2020 and 2021, and hold some volume of loans secured by real estate as of December 31, 2021, will incur this burden.[26]

Estimated Annual Number of Responses: Section 339.5(a)(2) specifies that FDIC-supervised institutions are not required to escrow payments and fees for flood insurance if, among other things, the loan is primarily for business, commercial, or agricultural purposes or the flood insurance policy is provided by a condominium association, cooperative, homeowners association, or other applicable group and the flood insurance premium is paid as a common expense. Therefore, for the purposes of estimating the annual number of responses to this requirement, FDIC counts all NFIP policies that were issued from 2017 to 2021, excluding policies that covered non-residential properties and those that covered multiple residential properties. Between 2017 and 2021, 2,442,946 NFIP policies were issued that covered residential properties located in SFHAs, and that covered only one property or only one unit of a multi-unit property, for an average of 488,589 per year.[27] Using the 1:12.07052 ratio introduced above, FDIC estimates the number of such policies issued by private insurers as 40,478 per year.[28] Since FDIC-supervised institutions are required to escrow flood insurance payments for both NFIP issued and privately issued policies, FDIC adds the two numbers above to arrive at an estimated annual

[25] Part 339.5(a)(2) specifies that this requirement does not apply if the loan is primarily for business, commercial, or agricultural purposes, if the flood insurance policy is provided by a condominium association, cooperative, homeowners association, or other applicable group and the flood insurance premium is paid as a common expense, if the loan is in a subordinate position to a senior lien secured by the same residential improved real estate or mobile home for which the borrower has obtained flood insurance coverage, the loan is a home equity line of credit, the loan is nonperforming, or the loan has a term of no longer than 12 months.

[26] FDIC does not have access to data that would allow it to determine the escrow requirements to which institutions are subject at the state level or federal level on or before July 6, 2012, or their practices with regard to escrowing payments for certain expenses on or before July 6, 2012. However, Call Report data reported as of December 2020 and December 2021 show that 479 FDIC-supervised institutions held $1 billion or more in total assets as of each of those two quarters and that, of those 479 institutions, 470 held some volume of loans secured by real estate as of December 31, 2021.

[27] 2,442,946 / 5 = 488,589. See Federal Emergency Management Agency. OpenFEMA Dataset: FIMA NFIP Redacted Policies – v1. https://www.fema.gov/openfema-data-page/fima-nfip-redacted-policies-v1

[28] (488,589 / 12.07.052) = 40,478

number of policy issuances of 529,067.[29] Using the 9.304 percent figure introduced and defined above, FDIC estimates the number of such policies issued annually that cover properties that secure loans originated by FDIC-supervised institutions as 49,224.[30]

As discussed above, the requirement to escrow flood insurance payments applies to 470 FDIC-supervised institutions as of December 31, 2021 since institutions that had less than $1 billion in total assets as of December 31 of one of the two most recent years are exempt from the escrow requirements in Part 339.5. FDIC assumes that the share of loans secured by properties located in SFHAs originated by these institutions is equal to their share of loans secured by real estate among all FDIC-supervised institutions. As of December 31, 2021, institutions that do not meet the small lender exception criteria outlined in Part 339.5(c)(1) held $1,333,393,275,000 in loans secured by real estate, which represents 78.24 percent of the $1,704,203,190,000 in total loans secured by real estate held by FDIC-supervised institutions.[31] Using this percent and the 49,224 estimate above, FDIC estimates that the number of loans originated annually by FDIC-supervised institutions for which the institution would be required to escrow flood insurance payments and fees is 38,513.[32]

Estimated Annual Number of Responses per Respondent: FDIC estimates that each institution that is subject to the escrow requirements in Part 339 originates 82 loans per year for which the institution would be required to escrow flood insurance payments and fees.[33]

5. Part 339.5(c)(2): Change in status

Description: Part 339.5(c)(2) requires any FDIC-supervised institution that originates a designated loan to comply with the requirements of Part 339.5(b) beginning in July of the year that the institution ceases to qualify for the “small lender exception” – that is, if the institution’s total assets meet or exceed the $1 billion threshold as of December 31 of two consecutive years. Therefore, beginning in July of the calendar year that an institution ceases to be covered by the small lender exception criteria outlined in Part 339.5(c)(1), an FDIC-supervised institution must notify the borrower for each designated loan that it originates of its requirement to escrow payments and fees for flood insurance unless the loan, or the flood insurance policy covering the property that serves as collateral for the loan, meets the exception criteria outlined in Part 339.5(a)(2).

Type of Requirement: Third-Party Disclosure

[29] 488,589 + 40,478 = 529,067
[30] 529,067 x 0.09304 = 49,224
[31] 1,333,393,275,000 / 1,704,203,190,000 = 0.7824
[32] 49,224 x 0.7824 = 38,513
[33] 38,513 / 470 = 81.94. FDIC rounds to the nearest whole number and estimate that each institution would originate 82 such loans annually.

Estimated Annual Number of Respondents: Based on the median number of FDIC-supervised institutions that ceased to be covered by the small lender exception criteria in each year from 2012 to 2021, FDIC estimates that 30 FDIC-supervised institutions will incur this burden annually.[34]

Estimated Annual Number of Responses: As discussed above, FDIC estimates that 30 institutions would cease to be covered by the small lender exception criteria each year. As of December 31, 2021, 2,649 FDIC-supervised institutions meet the "small lender exception" criteria in 339.5(c)(1) and are therefore not required to escrow flood insurance payments or fees.[35] These 2,649 institutions hold $370,809,915,000 in loans secured by real estate as of December 31, 2021[36] which represents 21.76 percent of the $1,704,203,190,000 in loans secured by real estate held by all FDIC-supervised institutions.[37]

An institution that becomes newly subject to the escrow requirements in Part 339.5 would need to notify the borrower of its requirement to escrow flood insurance payments for each designated loan it originates on or after July 1 of the year it becomes subject to the escrow requirements, unless the loan or the flood insurance policy covering the property that serves as collateral for the loan meets the exception criteria outlined in Part 339.5(a)(2). As discussed above, FDIC estimates that FDIC-supervised institutions originate 49,224 loans annually for which the institution would be required under Part 335.5(b) to escrow flood insurance payments and fees. Since FDIC-supervised institutions that are covered by the small lender exception hold 21.76 percent of loans secured by real estate held by all FDIC-supervised institutions, as calculated above, FDIC assumes that FDIC-supervised institutions covered by the small lender exception originate 10,711 loans annually for which the institution would be required to escrow flood insurance payments and fees if they ceased to meet the small lender exception criteria. Assuming that each FDIC-supervised institution that is covered by the small lender exception criteria originates the same number of loans for which the institution would be required to escrow payments if it ceased to be covered by the small lender exception, the estimated number of such loans originated annually by institutions that cease to be covered by

[34] FDIC Call Report data show that, from 2012 through 2021, an average of 33.5 FDIC-supervised institutions newly ceased to be covered by the small lender exception criteria (that is, they met or exceeded the $1 billion asset size threshold for two consecutive calendar year-ends) as of December 31 of each year. The median number of FDIC-supervised institutions that surpassed the $1 billion asset size threshold each year over that ten-year period was 29.5. For the purposes of estimating the number of respondents to this requirement, FDIC rounds the median number of FDIC-supervised institutions that ceased to be covered by the small lender exception criteria from 2012 to 2021 to the nearest whole number and estimate that 30 FDIC-supervised institutions become newly subject to the requirements of Section 339.5 each year. FDIC uses the median instead of the mean because this 10-year period includes the year 2021, in which an unusually high number of institutions surpassed the $1 billion asset threshold as a result of the historically unprecedented increase in deposits that occurred as a result of government stimulus programs in response to the Covid-19 pandemic. From 2012 through 2021, the years with the highest number of FDIC-supervised institutions surpassing the $1 billion threshold for two consecutive calendar year-ends were 2021 (78), 2020 (40), and 2019 and 2017 (36 in each year).

[35] FDIC Call Report data, December 31, 2020 and December 31, 2021

[36] FDIC Call Report data, December 31, 2021

[37] 370,809,915,000 / 1,704,203,190,000 = 0.2176

the small lender exception criteria is 121.[38] Since this requirement takes effect on July 1 of the year the institution ceases to be covered by the small lender exception criteria, FDIC estimates the annual number of responses to this requirement as half of the estimated annual number of loan originations by institutions that cease to be covered by the small lender exception criteria for which the institution would be required to escrow flood insurance payments or fees, or 61.[39]

Estimated number of responses per respondent: Based on the above estimates of 61 loans originated each year by 30 FDIC-supervised institutions that cease to qualify for the small lender exception for which the institution would be required to notify the borrower of its requirement to escrow flood insurance payments and fees, FDIC estimates the response rate for this line item to be 2 responses per respondent annually.[40]

6. Part 339.5(d)(2): Notice of option to escrow flood insurance payments and fees

Description: Part 339.5(d)(2) requires any FDIC-supervised institutions that ceases to be covered by the small lender exception criteria in Part 339.5(c)(1) to issue a notice to the borrower for each designated loan that it holds in which the institution makes available to the borrower the option to escrow flood insurance payments and fees. This requirement does not apply if the loan, or the flood insurance property covering the property that serves as collateral for the loan, meets the exception criteria in Part 339.5(a)(2).[41]

Type of Requirement: Third-Party Disclosure

Estimated Annual Number of Respondents: As discussed in section A.5, FDIC estimates that 30 institutions cease to be covered by the small lender exception criteria each year.

Estimated Annual Number of Responses: As discussed previously, FEMA data show that as of December 2021 there were 4,875,730 NFIP policies in force. FEMA data also show that as of December 2021 there were 1,839,719 preferred risk policies in place.[42] The number of NFIP policies that covered properties in SFHAs as of

[38] 10,711 x (30 / 2,649) = 121
[39] 121 / 2 = 61
[40] 61 / 30 = 2.03. FDIC rounds to the nearest whole number and estimate that institutions that become newly subject to escrow requirements originate an average of two loans annually for which the institution would be required notify the borrower of its requirement to escrow payments and fees for flood insurance.
[41] Section 339.5 does not require institutions to escrow payments if the loan is primarily for business, commercial, or agricultural purposes, if the flood insurance policy is provided by a condominium association, cooperative, homeowners association, or other applicable group and the flood insurance premium is paid as a common expense, if the loan is in a subordinate position to a senior lien secured by the same residential improved real estate or mobile home for which the borrower has obtained flood insurance coverage, the loan is a home equity line of credit, the loan is nonperforming, or the loan has a term of no longer than 12 months.
[42] Preferred risk policies are policies covering properties that are not located in SFHAs. See FEMA. Flood Insurance Data and Analytics. https://nfipservices.floodsmart.gov/reports-flood-insurance-data

December 2021 was therefore 3,036,011.[43] Assuming the percentage of flood insurance policies in force that cover a single residential property or a single unit of a residential property is the same as the percentage of policies issued from 2017 to 2021 that covered such properties, the estimated number of flood insurance policies outstanding that cover a single residential property or a single unit of a residential property is 2,669,372.[44] Using the 1:12.07052 ratio introduced above, FDIC estimates the number of such policies issued by private insurers is 221,148 per year.[45] Since institutions are required to escrow flood insurance payments for both NFIP issued and privately issued policies, FDIC adds the two numbers above to arrive at an estimated number of such policies in force of 2,890,520.[46]

Using the 9.304 percent figure introduced and defined above, FDIC estimates the number of such policies that cover properties that serve as collateral for loans originated by FDIC-supervised institutions is 268,934.[47] Since FDIC-supervised institutions that are covered by the small lender exception hold 21.76 percent of loans secured by real estate held by all FDIC-supervised institutions, as calculated above, FDIC assumes that FDIC-supervised institutions covered by the small lender exception hold 58,520 loans for which they would be required to offer the borrower the option to escrow flood insurance payments and fees if the institution ceased to be covered by the small lender exception criteria.[48] FDIC assumes that each institution covered by the small lender exception holds the same number of such loans, so the estimated number of annual responses to this requirement is 663.[49]

Estimated Annual Number of Responses per Respondent: Based on the above estimate of 663 annual responses by 30 institutions that become newly subject to the escrow requirements in Part 339.5 annually, FDIC estimates that each institution issues 22 notices to borrowers annually in which it makes available to borrowers the option to escrow flood insurance payments and fees.[50]

7. Part 339.7(a): Notice to borrower to obtain or increase flood insurance coverage

Description: Part 339.7(a) requires any FDIC-supervised institution that originates a designated loan to notify borrowers to obtain flood insurance coverage, or increase their amount of flood insurance coverage, if the institution determines that a property located in a SFHA that serves as collateral for a loan held by the institution is either not covered by flood insurance, or that flood insurance coverage is not sufficient to meet the requirements of Section 339.3(a).

[43] 4,875,730 – 1,839,719 = 3,036,011
[44] (2,442,946 / 2,778,485) x 3,036,011 = 2,669,372
[45] 2,669,372 / 12.07052 = 221,148
[46] 2,669,372 + 221,148 = 2,890,520
[47] 2,890,520 x 0.09304 = 268,934
[48] 268,934 x 0.2176 = 58,520
[49] 58,520 x (30 / 2,649) = 663
[50] 663 / 30 = 22.1. FDIC rounds to the nearest whole number and estimate that each institution would issue 22 such notices annually.

Type of Requirement: Third-Party Disclosure

Estimated Annual Number of Respondents: FDIC assumes that all 3,106 FDIC-supervised institutions that hold some volume of loans secured by real estate will incur this burden.

Estimated Annual Number of Responses: As discussed above, a total of 3,036,011 NFIP policies were in force as of December 2021 that covered properties located in SFHAs. Based on the 1:12.07052 ratio of private flood insurance policies to NFIP policies calculated above, FDIC estimates the number of private flood insurance policies in force that cover properties located in SFHAs as 251,523.[51] Summing these two numbers results in an estimated number of flood insurance policies in force that cover properties located in SFHAs of 3,287,534.[52] Using the 9.304 percent estimated and described above, FDIC estimates that 305,872 flood insurance policies cover properties located in SFHAs that secure loans held by FDIC-supervised institutions.[53] The SMEs in DCP advised that, based on supervisory experience, FDIC-supervised institutions would notify borrowers that they need to obtain or increase flood insurance coverage for approximately ten percent of loans outstanding that are secured by properties located in a SFHA in a given year. Therefore, FDIC estimates the annual number of responses to this line item as 30,587.[54]

Estimated Annual Number of Responses per Respondent: FDIC estimates that each FDIC-supervised institution that holds some volume of loans secured by real estate issues ten notices to borrowers to obtain or increase flood insurance coverage annually.[55]

8. Part 339.7(b)(1)(i): Notification to terminate flood insurance purchased on behalf of a borrower

Description: If a borrower does not obtain or increase flood insurance coverage within 45 days of receiving a notice to do so from a FDIC-supervised institution in accordance with Part 339.7(a), Part 339.7(a) requires the FDIC-supervised institution to obtain flood insurance on behalf of the borrower. Part 339.7(b)(1)(i) requires an FDIC-supervised institution to notify the insurance provider, within 30 days of receiving confirmation that the borrower has obtained adequate flood insurance coverage, to terminate the insurance coverage that the institution purchased on behalf of a borrower.

Part 339.7(b)(1)(i) requires an FDIC-supervised institution to notify the insurance provider from which it purchased flood insurance on behalf of a borrower to

[51] 3,036,011 / 12.07052 = 251,523
[52] 3,036,011 + 251,523 = 3,287,534
[53] 3,287,534 x 0.09304 = 305,872
[54] 305,872 x 0.10 = 30,587
[55] 30,587 / 3,106 = 9.85. FDIC rounds to the nearest whole number and estimate that each institution issues ten such notices annually.

terminate the insurance policy within 30 days of receiving confirmation that the borrower has obtained sufficient flood insurance coverage.

Type of Requirement: Third-Party Disclosure

Estimated Number of Annual Respondents: FDIC estimates that all 3,106 FDIC-supervised institutions that hold some volume of loans secured by real estate would incur this burden.

Estimated Number of Annual Responses: Based on supervisory experience, FDIC believes that FDIC-supervised institutions would be required to purchase flood insurance on behalf of a borrower in approximately 50 percent of cases in which an institution notifies a borrower of insufficient flood insurance coverage for a property located in a SFHA, and that a borrower would eventually obtain flood insurance coverage for ten percent of properties for which an institution purchases flood insurance on behalf of a borrower. As discussed above, FDIC estimates that institutions would issue 30,587 notices to borrowers to obtain or increase flood insurance coverage annually. Therefore, FDIC estimates that FDIC-supervised institutions would issue 1,529 notices to insurance providers annually to terminate insurance coverage purchased on behalf of a borrower.[56]

Estimated Annual Number of Responses per Respondent: FDIC estimates that each FDIC-supervised institution that holds some volume of loans secured by real estate issues one notice per year to cancel flood insurance policies purchased on behalf of borrowers.[57]

9. 339.9(a): Notice of special flood hazards and availability of Federal disaster relief assistance

Description: Part 339.9(a) requires any FDIC-supervised institution that originates a designated loan to deliver a written notice to the loan servicer and the borrower disclosing whether flood insurance is available under the National Flood Insurance Act of 1968 for the property that serves as collateral for the loan.

Type of Requirement: Third-Party Disclosure

Estimated Annual Number of Respondents: FDIC assumes that all 3,106 FDIC-supervised institutions that hold some volume of loans secured by real estate will incur this burden.

Estimated Annual Number of Responses: As discussed above, FDIC estimates that FDIC-supervised institutions originate 55,985 designated loans annually. Since the notices required in Part 339.9(a) must be sent to both the borrower and the loan

[56] 30,587 x 0.50 x 0.10 = 1,529

[57] 1,529 / 3,106 = 0.492. FDIC rounds to the nearest whole, positive number and estimate that institutions issue one notice per year, on average, to terminate insurance coverage purchased on behalf of a borrower.

servicer for each designated loan an institution issues, FDIC estimates 111,970 responses to this requirement annually.[58]

Estimated Annual Number of Responses per Respondent: Based on the estimates and assumptions discussed above, FDIC estimates that each FDIC-supervised institution that holds some volume of loans secured by real estate issues 36 notices per year, on average, to comply with the requirements in Section 339.9(a).[59]

10. 339.10(a): Notice to Administrator of FEMA of the loan servicer's identity

Description: Part 339.10(a) requires any FDIC-supervised institution that originates a designated loan to notify the Administrator of FEMA of the identity of the servicer for the designated loan.

Type of Requirement: Third-Party Disclosure

Estimated Annual Number of Respondents: FDIC assumes that all 3,106 FDIC-supervised institutions that hold some volume of loans secured by real estate will incur this burden.

Estimated Annual Number of Responses: As discussed above, FDIC estimates that FDIC-supervised institutions originate 55,985 designated loans annually. Therefore, FDIC estimates FDIC-supervised institutions submit 55,985 notifications of the servicer of each designated loan to the Administrator of FEMA.

Estimated Annual Number of Responses per Respondent: FDIC estimates that each FDIC-supervised institution that holds some volume of loans secured by real estate submits 18 notifications of the loan servicer for designated loans to the Administrator of FEMA annually.[60]

11. 339.10(b): Notice to the Administrator of FEMA of a change in the loan servicer

Description: Part 339.10(b) requires any FDIC-supervised institution to notify the Administrator of FEMA of the identity of the servicer for a designated loan when the loan servicer changes.

Type of Requirement: Third-Party Disclosure

Estimated Annual Number of Respondents: FDIC assumes that all 3,106 FDIC-supervised institutions that hold some volume of loans secured by real estate will incur this burden.

[58] 55,985 x 2 = 111,970
[59] 111,970 / 3,106 = 36.05. FDIC rounds to the nearest whole number and estimate 36 responses annually per affected institution.
[60] 55,985 / 3,106 = 18.02. FDIC rounds to the nearest whole number and estimate that each affected institution would issue 18 notices annually.

Estimated Annual Number of Responses: As discussed above, FDIC estimates the number of flood insurance policies in force that cover properties located in SFHAs is 3,287,534 and that 305,872 flood insurance policies cover properties that secure loans held by FDIC-supervised institutions.

FDIC does not have any basis on which to estimate how often loan servicers change. However, data reported under HMDA show that institutions subject to reporting data under HMDA originated 31,587,538 loans secured by residential properties and purchased 7,024,683 loans secured by residential properties from 2018 to 2020.[61] FDIC assumes that the percentage of loans that change servicer in a given year is equal to the ratio of purchased loans to originated loans from 2018 to 2020, and therefore FDIC estimates that 22.24 percent of loans change servicer in a year.[62] FDIC therefore assumes that the loan servicer would change for 22.24 percent of loans outstanding that are secured by properties located in a SFHA in a given year, and estimates the annual number of responses to this line item as 68,026.[63]

Estimated Annual Number of Responses per Respondent: FDIC estimates that FDIC-supervised institutions that hold some volume of loans secured by real estate submit 22 notices per year, on average, to notify the Administrator of FEMA of a change in the servicer of a designated loan.[64]

Estimated Hours per Response

The 2019 ICR includes an estimate of 0.225 burden hours per response associated with the requirement in Part 339.9(a) for FDIC-supervised institutions to disclose to both the loan servicer and the borrower whether flood insurance is available under the Flood Insurance Act of 1968 for a property located in a SFHA that serves as collateral for a loan originated by the FDIC-supervised institution. Based on supervisory experience, the FDIC believers that 0.25 hours is a more appropriate estimate of the amount of time required to submit these notifications.

The 2019 ICR includes an estimate of 0.5 burden hours per response associated with the requirement in Part 339.(d) for FDIC-supervised institutions to retain copies of the notices sent to the borrower and loan servicer for designated loans for as long as the institution owns the loan. Based on supervisory experience, the FDIC believes that 0.25 hours is a more appropriate estimate of the amount of time required to retain copies of these notifications. The 2019 ICR also includes an estimate of 0.25 burden hours associated with the requirements in Parts 339.3(c)(3)(iv) and 339.3.c(4)(iv) for FDIC-supervised institutions to document their conclusion, in writing, that a flood insurance policy issued by a private insurer or a mutual aid society provides sufficient protection for a loan secured by a property located in a SFHA. FDIC

[61] These data are available from the Consumer Financial Protection Bureau (CFPB) at https://www.consumerfinance.gov/data-research/hmda/historic-data/

[62] 7,024,683 / 31,587,538 = 0.2224

[63] 305,872 x 0.2224 = 68,026

[64] 68,026 / 3,106 = 21.90. FDIC rounds to the nearest whole number and estimate that institutions would submit 22 notices per year on average.

believes that 0.50 hours is a more appropriate estimate of the amount of time required to comply with this requirement.

The 2019 ICR includes an estimate of 0.05 burden hours associated with the requirement in Part 339.10(b) for FDIC-supervised institutions to notify the Administrator of FEMA when the servicer changes for a designated loan. The FDIC believes that 0.083 hours is a more appropriate estimate of the amount of time required to comply with this requirement.

The remaining requirements in this IC were not included in the 2019 ICR as separate line items. Based on supervisory experience, the FDIC estimates the time required to respond to these requirements. The estimates are shown in Table 1 below. Table 1 also shows the total number of estimated burden hours associated with this information collection, along with FDIC estimates of the annual number of respondents and the annual number of responses per respondent.

	Table 1: Estimated Annual Burden (OMB No. 3064-0207)					
	Recordkeeping					
Item	Section	Description	Estimated Annual Number of Respondents	Estimated Annual Number of Responses per Respondent	Estimated Hours per Response	Total Hours
1	339.3(c)(3)(iv) and 339.3(c)(4)(iv)	Private flood Insurance (Required to obtain benefits)	3,106	1	0.500	1,553.00
2	339.6(b)	Standard flood hazard determination form (Mandatory)	3,106	313	0.042	40,831.48
3	339.9(d)	Retention of notice of special flood hazards and availability of Federal disaster relief assistance (Mandatory)	3,106	36	0.250	27,954.00
	Disclosure					
4	339.5(b)	Notice of requirement to escrow flood insurance payments and fees (Mandatory)	470	82	0.083	3,198.82
5	339.5(c)(2)	Change in status (Mandatory)	30	2	40	2,400.00
6	339.5(d)(2)	Notice of option to escrow flood insurance payments and fees (Mandatory)	30	22	0.083	54.78
7	339.7(a)	Notice to borrower to purchase flood insurance (Mandatory)	3,106	10	0.083	2,577.98
8	339.7(b)(1)(i)	Notification to terminate flood insurance purchased on behalf of a borrower (Mandatory)	3,106	1	0.250	776.50
9	339.9(a)	Notice of special flood hazards and availability of Federal disaster relief assistance (Mandatory)	3,106	36	0.250	27,954.00
10	339.10(a)	Notice to Administrator of FEMA of servicer's identity (Mandatory)	3,106	18	0.083	4,640.36
11	339.10(b)	Notice to Administrator of FEMA of a change in loan servicer (Mandatory)	3,106	22	0.083	5,671.56
		Total Estimated Burden Hours:				**117,612.48**

Total Annual Cost Burden

The 2019 ICR reports estimated annual costs associated with this information collection of approximately $17.3 million. This estimate was obtained by multiplying the estimated annual number of burden hours (527,547) by $32.79, reflecting the estimated total hourly compensation rate of Office and Administrative Support Occupations in the Depository Credit Intermediation sector.[65]

The FDIC believes that, while some of the recordkeeping and disclosure requirements in Part 339 would likely be completed by clerical and administrative staff, input from compliance officers would likely be required for FDIC-supervised institutions to comply with other requirements. FDIC assumes that the labor allocations shown in Table 2 are appropriate. Table 2 also shows FDIC's estimated annual labor cost to FDIC-supervised institutions for compliance with each line item, based on an hourly wage of $71.73 for Compliance Officers[66] and $36.83 for Office and Administrative Support Occupations.[67]

	Table 2: Annual Compliance Cost Calculation (OMB No. 3064-0207)		
	Recordkeeping	**Estimated Percentage of Category of Personnel Responsible for Compliance**	

[65] Estimated total hourly compensation of Office and Administrative Support Occupations in the Depository Credit Intermediation sector as of September 2018. The estimate includes the May 2017 75th percentile hourly wage rate reported by the Bureau of Labor Statistics, National Industry-Specific Occupational Employment and Wage Estimates. This wage rate has been adjusted for changes in the Consumer Price Index for all Urban Consumers between May 2017 and September 2018 (3.31 percent) and grossed up by 35.7 percent to account for non-monetary compensation as reported by the September 2018 Employer Costs for Employee Compensation data.

[66] Estimated total hourly compensation of Compliance Officers in the Depository Credit Intermediation sector as of December 2021. The estimate includes the May 2020 75th percentile hourly wage reported by the Bureau of Labor Statistics, National Industry-Specific Occupational Employment and Wage Estimates. This wage rate has been adjusted for changes in the Consumer Price Index for all Urban Consumers between May 2020 and December 2021 (8.74 percent) and grossed up by 33.8 percent to account for non-monetary compensation as reported by the December 2021 Employer Costs for Employee Compensation data.

[67] Estimated total hourly compensation for Office and Administrative Support Occupations in the Depository Credit Intermediation sector as of December 2021. The estimate includes the May 2020 75th percentile hourly wage reported by the Bureau of Labor Statistics, National Industry-Specific Occupational Employment and Wage Estimates. This wage rate has been adjusted for changes in the Consumer Price Index for all Urban Consumers between May 2020 and December 2021 (8.74 percent) and grossed up by 33.8 percent to account for non-monetary compensation as reported by the December 2021 Employer Costs for Employee Compensation data.

Item	Section	Description	Total Hours	Compliance Officers	Office and Administrative Support Occupations	Estimated Hourly Compliance Cost	Estimated Annual Compliance Cost
1	339.3(c)(3)(iv) and 339.3(c)(4)(iv)	Private flood Insurance (Required to obtain benefits)	1,553.00	80%	20%	$64.75	$100,556.75
2	339.6(b)	Standard flood hazard determination form (Mandatory)	40,831.48	0%	100%	$36.83	$1,503,823.26
3	339.9(d)	Retention of notice of special flood hazards and availability of Federal disaster relief assistance (Mandatory)	27,954.00	0%	100%	$36.83	$1,029,545.82
	Disclosure						
4	339.5(b)	Notice of requirement to escrow flood insurance payments and fees (Mandatory)	3,198.82	0%	100%	$36.83	$117,812.54
5	339.5(c)(2)	Change in status (Mandatory)	2,400.00	50%	50%	$54.28	$130,272.00
6	339.5(d)(2)	Notice of option to escrow flood insurance payments and fees (Mandatory)	54.78	0%	100%	$36.83	$2,017.55
7	339.7(a)	Notice to borrower to purchase flood insurance (Mandatory)	2,577.98	0%	100%	$36.83	$94,947.00
8	339.7(b)(1)(i)	Notification to terminate flood insurance purchased on behalf of a borrower (Mandatory)	776.50	50%	50%	$54.28	$42,148.42
9	339.9(a)	Notice of special flood hazards and availability of Federal disaster relief assistance (Mandatory)	27,954.00	0%	100%	$36.83	$1,029,545.82
10	339.10(a)	Notice to Administrator of FEMA of servicer's identity (Mandatory)	4,640.36	0%	100%	$36.83	$170,904.61
11	339.10(b)	Notice to Administrator of FEMA of a change in loan servicer (Mandatory)	5,671.56	0%	100%	$36.83	$208,883.55
			Total Estimated Annual Compliance Cost:				**$4,430,457.32**

Summary
As shown in Tables 1 and 2, FDIC estimates the annualized hour burden of this IC is approximately 117,613, and an annual cost burden of $4,430,457.32. The estimated annual cost for this renewal is $12,900,434.70 less that the annual cost of $17,330,892 estimated for the 2019 ICR.

The primary reason for the decrease in the estimated cost associated with this IC is a change in methodology for estimating the annual number of responses to this IC. In the 2019 ICR, the annual numbers of responses to Parts 339.9(a), 339.9(d), and

339.10(b) were estimated by allocating the total number of NFIP policies in force, including those that did not cover properties located in SFHAs, to FDIC-supervised institutions based on their share of total mortgage debt outstanding, and then increasing that value by ten percent to account for private flood insurance policies in force. The annual number of respondents to Parts 339.3(c)(3)(iv) and 339.3(c)(4)(iv), the private flood insurance provisions that were newly introduced by an interagency final rule in 2019, were estimated by allocating the number of NFIP flood insurance policies in place that covered properties located in SFHAs to FDIC-supervised institutions based on their share of mortgage debt outstanding, and multiplying that number by ten percent to estimate the number of flood insurance policies issued by a private insurer that covered properties that served as collateral for loans held by FDIC-supervised institutions. By contrast, most of the estimates for this 2022 ICR are based on counts of the number of NFIP policies issued each year rather than the number of policies in force, which is a more accurate estimate of the annual burden associated with this IC since most of the requirements in Part 339 apply only when an institution issues, extends, or renews a loan secured by a property located in a SFHA. The methodology used for the 2019 ICR includes an implicit assumption that FDIC-supervised institutions would incur the burden associated with each requirement in Part 339 on an annual basis for each loan that they hold that is secured by a property that is covered by a flood insurance policy, even if the property is not located in a SFHA. By itself, this change in methodology accounts for a decrease in the estimated cost associated with this IC of $12,531,993.71 from 2019.[68]

Another factor that contributes to the reduction in the estimated annual cost associated with this IC is a change in methodology for estimating the percentage of designated loans for which the servicer would change in a typical year, which changes the estimated annual number of responses per respondent to Part 339.10(b). In 2019, the methodology included an implicit assumption that the loan servicer would change annually for each designated loan held by every FDIC-supervised institution. FDIC estimates the number of annual responses per respondent for this renewal by assuming that the loan servicer changes for 22.24 percent of designated loans in a typical year. This change in methodology accounts for a decrease in the estimated cost associated with this IC of $727,151.04.[69]

In addition, as discussed previously, FDIC combined two of the five line items from the 2019 ICR into a single line item for the 2022 renewal and added seven new line items that were not included in the 2019 ICR. These seven line items (Items 2, 4 – 8, and 10 in Table 2) add $2,061,925.38 to the estimated cost associated with this IC.

[68] Holding constant the estimated time per response, the estimated number of respondents, and the estimated hourly cost from the 2019 ICR and changing only the estimated number of responses per respondent based on the revised methodology, the estimated annual cost for compliance with Part 339.9(a) decreases by $5,828,570.06 ((36 – 150) x 3,465 x 0.225 x $32.79 x 2 = -$5,828,570.06), the estimated cost for compliance with Part 339.9(d) decreases by $6,476,188.95 ((36 – 150) x 3,465 x 0.50 x $32.79 = -$6,476,188.95) and the estimated annual cost for compliance with Parts 339.3(c)(3)(iv) and 339.3(c)(4)(iv) decreases by $227,234.70 ((1-9) x 3,465 x 0.25 x $32.79 = -$227,234.70). -227,234.70 - $5,828,570.06 – 6,474,188.95 = -$12,531,993.71.
[69] (22-150) x 3,465 x 0.05 x $32.79 = -$727,151.04.

While the addition of these seven line items increases the estimated annual cost of this IC, all else equal, the estimated cost declined considerably relative to the 2019 ICR due to the change in methodology used to estimate the annual number of responses.

13. Estimate of start-up costs to respondents:

    None.

14. Estimate of annualized costs to the government:

    None.

15. Analysis of change in burden:

    See discussion in Section 12 above.

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

    The results of this collection will not be published for statistical use.

17. Display of expiration date:

    Not applicable.

B. STATISTICAL METHODS

Not Applicable