

January 21, 2016

The Honorable Jacob J. Lew
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Secretary,

Recent flooding in a number of Midwestern states reminds us in a powerful way that flooding is one of the costliest and most devastating natural disasters in the United States. We are also reminded of the major role that the National Flood Insurance Program (NFIP) plays to mitigate the impact of flood disasters on individuals and communities. The American Bankers Association, the American Bankers Insurance Association, and the 52 State Bankers Associations, are concerned that the program is not working as well as it could and should. Fortunately, we believe that there are steps that can be taken in short order to make notable improvements for the benefit of those who rely upon this protection.

Banks devote significant resources and attention to efforts to make the program workable for our customers and our communities. However, the straightforward enforcement role Congress assigned to the banking industry – ensuring that a bank does not “make, increase, extend or renew any designated loan unless the building or mobile home securing the property is covered by flood insurance for the term of the loan” – has devolved into an increasingly complex and inefficient compliance exercise. In part, this is due to the failure of the banking agencies and the Federal Emergency Management Agency (FEMA) to work together to provide adequate information and guidance to lenders, borrowers, and write-your-own insurance agents about the NFIP and each participant’s role in it.

We appreciate the meeting hosted on December 3, 2015, by Treasury’s Federal Insurance Office (FIO) that initiated a dialogue about flood compliance and communication challenges. We believe that the issues are so complex and are of such importance to the national flood insurance program that FIO should convene as soon as possible a meeting to be attended by representatives of the banking agencies, FEMA, bankers, and insurance agents, to identify – and resolve – unanswered implementation and compliance questions as well as existing communication shortcomings. Moreover, this meeting should place high on its agenda the establishment of a regular ongoing process for prompt resolution of such problems and questions. Doing so will promote the effectiveness of the national flood insurance program and the resiliency of borrowers that have experienced a flood, in turn enhancing bankers’ efficiency in implementing the mandatory purchase obligation for the benefit of our customers.

Implementing the mandatory purchase requirement is a responsibility that the banking industry takes very seriously. Our efforts are inhibited when definitions and requirements are unclear. Too often, they remain unclear, despite industry efforts to obtain clarification. Bankers struggle with the complexities of flood mapping and with many of the details of the NFIP they must understand in order to establish compliant lending policies and procedures and to advise borrowers with properties located in a flood zone. In past years, banks have directed numerous important questions, many of which are technical, to the banking agencies and/or to FEMA. The banking agencies responded to these questions with the publication in 1997 of Interagency Questions and Answers Regarding Flood Insurance (Interagency Q & As), last updated in 2011. The banking agencies readily admit they need to provide additional guidance to the industry.

In the 22 months since the enactment of the Biggert-Waters Act (BWA) and Homeowner Flood Insurance Affordability Act (HFIAA), FEMA has been working on implementation, producing an almost overwhelming amount of implementation material. This material is at times helpful and at times confusing. It is becoming exceedingly difficult to advise customers about their rights and obligations. Currently, there is no effort by FEMA to respond to inquiries regarding the interpretation and the application of many of these changes. The key importance of responding to these bank inquiries can be understood when it is recognized that borrowers typically hear for the first time about their obligation to purchase flood insurance from their lender.

We need a long-term solution that will ensure that all parties – banks, write-your-own insurance agents, and borrowers – understand now, and on an ongoing basis, the flood laws and the national flood insurance program and can meet their respective compliance obligations and other responsibilities. We urge Treasury to convene a meeting to advance this important goal, and we are eager to lend our assistance to facilitate this meeting. Virginia O’Neill, ABA’s Senior Vice President for Regulatory Compliance Policy, stands ready on our behalf to lend her priority efforts in this regard. She can be reached at 202-663-5073 or voneill@aba.com.

Sincerely,

American Bankers Association
American Bankers Insurance Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Illinois League of Financial Institutions
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association

Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association