

January 28, 2014

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Leaders Reid and McConnell:

The undersigned organizations, representing the financial services industry, share the public policy goal of ensuring homeowners have adequate coverage in place to protect against and recover from flood damage, and submit this letter in support of Senator Hagan's amendment to the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12).

Senator Hagan's amendment would greatly benefit the implementation of BW-12 by providing lenders additional time to implement proper systems and processes to ensure compliance with new escrow requirements. This amendment would also limit BW-12 mandatory escrow requirements to first lien loans for primary residences when such a loan is originated, refinanced, increased, extended, or renewed on or after January 1, 2016. Without these changes, BW-12's escrow requirements would place lenders in the untenable position of choosing between violating existing contracts with borrowers or violating federal law.

The amendment would also protect lenders and borrowers from unnecessarily costly and potentially duplicative requirements to escrow for flood insurance on loans for which escrow makes little sense, including: junior liens, home equity lines of credit, nonperforming loans, loans with terms of less than twelve months, and loans secured by residential improved real estate or a mobile home that is used as collateral for a business purpose or as part of a condominium, cooperative, or other project development, subject to additional restrictions. Amending BW-12 in this manner will reduce borrower dissatisfaction and confusion, while reducing costs and limiting unnecessary or duplicative escrow requirements.

As Congress considers changes to the Flood Disaster Protection Act by amending the Biggert-Waters Flood Insurance Reform Act of 2012, we support Senator Hagan's amendment to ensure the timely implementation of effective, consumer-friendly, flood insurance escrow requirements. We look forward to continuing our work together on this important matter. Thank you for your consideration.

Sincerely,

American Bankers Association
American Bankers Insurance Association
Consumer Bankers Association
Financial Services Roundtable
Housing Policy Council
Mortgage Bankers Association