

April 8, 2024

The Federal Emergency Management Agency

Re: Standard Flood Insurance Policy – New Homeowner Flood Form Proposal
Docket ID FEMA-2024-0004

Thank you for the opportunity to comment on the proposed Standard Flood Insurance Policy, Homeowner Flood Form, Docket ID FEMA-2024-0004. Before we get into the proposal, we would like to present a brief background on the Kansas Bankers Association (KBA) itself.

Kansas Bankers Association (KBA) Background Information:

The KBA, founded in 1887, is a voluntary, non-profit trade association governed by its membership. The KBA is headquartered in Topeka, Kansas, and is led by our 24-member board of directors. Our mission statement is direct and straightforward:

"Together, we support our member banks and bankers with leadership, advocacy, and education to benefit the communities and customers they serve."

KBA's membership includes 98% of the headquartered banks in Kansas. Our membership also includes 20 out-of-state commercial banks operating in Kansas and seven savings and loans. Our member banks employ more than 22,000 Kansans that provide financial services in every county across the state. While our member banks range in assets from the smallest in our state to the largest in our state, each member bank that belongs to the KBA has one vote on policy positions adopted by either our general membership or our Board of Directors. One member, one vote.

New Homeowner Flood Form:

The new Homeowner Flood Form contains a number of changes from the current Dwelling Form including changes which define coverage, limitations and exclusions for the National Flood Insurance Program policies. Viewed accumulatively, these changes will require all parties, including lenders, to have time to review current policies and procedures, and to have time to make adjustments. For example, the proposed changes to Coverage B from "personal property" to "other buildings" will require lenders to calculate the replacement cost value for the additional structures covered under this section and ensure that the coverage in place is enough to meet regulatory requirements.

An additional area of concern, particularly for bank lenders, is replacement cost value as the new default loss settlement. Under the proposal, FEMA will apply replacement cost value to the dwelling under certain circumstances and removes the distinction between primary and

nonprimary residences. It is unclear whether this removal of the distinction means nonprimary residences will need to be written also based on replacement cost value or whether they can remain written based on actual cost value as is currently the case. Additional guidance in the final rule would be welcome.

These proposed changes, while acceptable to FEMA, will need to be analyzed by the banking regulators, and guidance from them will be needed on what they will determine acceptable under banking requirements.

For these reasons, we respectfully request that the agency provide sufficient time for all parties to study the changes so to evaluate the effect upon current practices and policies. Specifically, we would ask for a period of at least 360 days before the proposal becomes effective.

Five New Endorsements to Homeowners Flood Form

This is another area where the banking regulators will need to weigh in. Specifically, while only the Increased Cost of Compliance endorsement is considered a mandatory endorsement to the Homeowner Flood Form in the proposal, lenders will need guidance on whether the other proposed endorsements would be accepted for designated loans. In addition, guidance will be needed on escrow requirements as it relates to these new endorsements.

- **Actual Cost Value Loss Settlement Endorsement**

The proposal to offer policyholders the choice of insuring their building for actual cost value for a reduced premium could be viewed as problematic to the banking regulators as it would be a step down from replacement cost value coverage. Again, lenders will need guidance from their prudential regulators on whether this endorsement would cause a policy to no longer be in compliance with statutory requirements.

- **Builder's Risk Endorsement**

We would also ask for clarification on the proposal's endorsement that would cover buildings under construction. It appears that the proposal is written such that this endorsement would be required for construction loans as the new Form defines buildings covered as "a structure, the construction of which has been completed...". We would request clarification on whether FEMA would cover a building under construction without this endorsement.

Conclusion

As we request further clarification and note various places in the proposal that could affect practices and policies required by the banking regulators, the KBA restates its request for adequate time to complete a review of existing coverages, procedures and time for the banking regulators to weigh in on various provisions. Thank you, once again, for the opportunity to comment on this important proposal.

Best regards,

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