

September 15, 2009

Gary K. Van Meter, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Proposed Revisions of Interagency Questions and Answers Regarding Flood Insurance

Dear Mr. Van Meter:

Colonial Farm Credit, ACA appreciates the opportunity to comment on the Farm Credit Administration's proposed revisions to the Interagency Questions and Answers Regarding Flood Insurance that were published July 21, 2009 Federal Register.

Our comments relate to questions 9 and 10 regarding the insurable value of a building. The insurable value of a building, per FEMA guidelines, is the same as 100% replacement cost value of the insured building. The Agencies and FEMA are considering two alternatives for determining the replacement cost value for farm buildings (any non-residential buildings) which the borrower either would not replace if damaged or destroyed by a flood or would replace with a structure closely aligned to the function that the building is providing at the time of the damage.

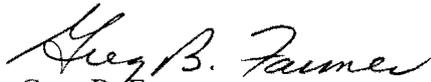
The first alternative quoted in the proposed revisions is the "functional building cost value, which is the cost to replace a building with commonly used, less costly construction materials and methods that are functionally equivalent to obsolete, antique or custom construction materials and methods used in the original construction of the building". The second alternative is the demolition/removal cost value, which is the cost to demolish the remaining structure and remove the debris after a flood. Borrowers and/or lenders may choose the second alternative when the building being insured is not important to the business/farming operation and would not be repaired or replaced if damaged or destroyed by a flood. Many farm properties contain numerous buildings which add little or no value to the property and serve no functional use to the farming/business operation. Currently, it is required that all buildings on farm property (regardless of value) require a flood determination and flood insurance if found to be located in a flood plain. It makes no sense to require flood insurance on a building that has very little use to the farming operation or contribution to the property's value.

Although the insurable value on such buildings can be the “demolition/removal cost value” and on paper such an alternative seems reasonable, in reality the costs of this alternative may be economically unfeasible, burdening the farmer with unnecessary insurance costs and flood determination costs. Additionally, the fact that flood insurance is required on such abandoned and worthless buildings makes little sense.

It may be more appropriate for the FCA to require insurance only on those buildings that have current functional utility and significant contribution to the property’s total value. A minimal value (\$5,000-\$10,000) could be established before a flood determination is even required.

We appreciate the opportunity to express our opinion and if you need additional information, please let us know.

Sincerely,


Greg B. Farmer
President & CEO

09 SEP 22 10:37:16