

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

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To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

Federal Regulatory Agencies Request Comment on Proposed Flood Insurance Rule

Five federal regulatory agencies are issuing a joint notice of [proposed rulemaking](#) to amend regulations pertaining to loans secured by properties located in special flood hazard areas. The proposed rule would implement certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) with respect to private flood insurance, the escrow of flood insurance payments, and the forced-placement of flood insurance. Separate from the agencies' joint proposal, Biggert-Waters also mandated other changes to the National Flood Insurance Program. The proposed rule is being issued by the Board of Governors of the Federal Reserve System, the Farm Credit Administration, the Federal Deposit Insurance Corporation, the National Credit Union Administration and the Office of the Comptroller of the Currency

The proposed rule would require that regulated lending institutions accept private flood insurance as defined in Biggert-Waters to satisfy the mandatory purchase requirements and solicits comment on whether the agencies should adopt additional regulations on the acceptance of flood insurance policies issued by private insurers. In addition, the proposal would require regulated lending institutions to escrow payments and fees for flood insurance for any new or outstanding loans secured by residential improved real estate or a mobile home, not including business, agricultural and commercial loans, unless the institutions qualify for the statutory exception.

The proposal also includes new and revised sample notice forms and clauses concerning the availability of private flood insurance coverage and the escrow requirement. Finally, the proposal would clarify that regulated lending institutions have the authority to charge a borrower for the cost of force-placed flood insurance coverage beginning on the date on which the borrower's coverage lapsed or became insufficient and would stipulate the circumstances under which a lender must terminate force-placed flood insurance coverage and refund payments to an affected borrower.

The agencies' proposal would implement only the provisions of Biggert-Waters relating to the mandatory purchase of flood insurance over which the agencies have jurisdiction. Accordingly, regulated lending institutions should review Biggert-Waters for further information about revisions to the flood insurance statutes which will not be implemented through this rulemaking.

The public will have until December 10, 2013, to review and comment on most of the proposal. However, comments related to the proposed Paperwork Reduction Act analysis will be due 60 days after the rule is published in the *Federal Register*.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>.

For additional information, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(801) 322-7853