

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

October 30, 2014

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

Agencies Request Comment on Proposed Flood Insurance Rule

On October 24, 2014, five federal regulatory agencies announced the approval of a joint notice of proposed rulemaking to amend regulations pertaining to loans secured by property in special flood hazard areas. The [proposed rule](#) would implement provisions of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) relating to escrowing flood insurance payments and the exemption of certain detached structures from the mandatory flood insurance purchase requirement. The HFIAA amends the escrow provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 (the Biggert-Waters Act).

In accordance with HFIAA, the proposed rule would require regulated lending institutions to escrow premiums and fees for flood insurance for loans secured by residential improved real estate or mobile homes that are made, increased, extended, or renewed on or after January 1, 2016, unless the regulated lending institution or a loan qualifies for a statutory exception. In addition, the proposed rule would require institutions to provide borrowers of residential loans outstanding on January 1, 2016, the option to escrow flood insurance premiums and fees. The proposal includes new and revised sample notice forms and clauses concerning the escrow requirement and the option to escrow.

Finally, the proposal would eliminate the requirement to purchase flood insurance for a structure that is part of a residential property located in a special flood hazard area if that structure is detached from the primary residential structure and does not also serve as a residence. However, under HFIAA, lenders may nevertheless require flood insurance on the detached structures to protect the collateral securing the mortgage.

In a separate rulemaking, the agencies will address other provisions of the Biggert-Waters Act for which the agencies have jurisdiction and that were not amended by the HFIAA.

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.

Comments will be due 60 days after the rule is published in the *Federal Register*, which is expected shortly. Those wishing to submit comments may submit them through <http://www.regulations.gov> (Docket ID OCC-2014-0016) or by following the instructions in the [proposal](#).

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:

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