

RESCINDED

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Outdated – See OCC 2020-11

Flood Insurance: Preferred Risk Policies Eligible for Use after Remapping

The guidance attached to this bulletin continues to apply to federal savings associations.

The Federal Emergency Management Agency (FEMA) announced on July 15, 2010, that Preferred Risk Policy (PRP) eligibility will be extended for two years effective January 1, 2011, or the effective date of the flood map revision, whichever is later, for some policies covering buildings newly mapped within a Special Flood Hazard Area (SFHA) by a flood map revision effective on or after October 1, 2008. PRPs offer low-cost coverage to owners and tenants of eligible buildings located in National Flood Insurance Program (NFIP) Regular Program communities. FEMA's stated goal in providing this temporary extension of PRP eligibility is to reduce some of the financial burden on borrowers with collateral located in newly mapped SFHAs. FEMA states that insurance companies will be contacting those policyholders who may qualify for this extension at least 90 days before their policy expires.

The PRP two-year eligibility extension does not apply to properties that were already located in SFHAs prior to the map change. Residential condominium associations eligible for coverage under the Residential Condominium Building Association Policy (RCBAP) are *not* eligible for the PRP and, therefore, they are not eligible for this two-year extension of PRP coverage.

Determining PRP Eligibility

The flood insurance policy-writing company, not the lender, will be responsible for determining and validating PRP extended eligibility. The NFIP Direct and all Write-Your-Own (WYO) companies will be required to display two flood zones (Current Flood Zone and Flood Risk/Rated Zone) on PRP declarations pages. The Current Flood Zone should match the flood zone identified on the lender's Standard Flood Hazard Determination Form (SFHDF).

Zone Discrepancy Issues

The lender should address flood zone discrepancies between the lender's SFHDF and the Current Flood Zone in accordance with the Revised Interagency Questions and Answers Regarding Flood Insurance. Lenders need not delay closings during this process. Differences between the Current Flood Zone and the Flood Risk/Rated Zone on these PRP policies or between the SFHDF and the Flood Risk/Rated Zone are not to be considered discrepancies.

Mandatory Purchase Requirement

To

Chief Executive Officers and
Compliance Officers of All
National Banks, Department and
Division Heads, and All
Examining Personnel

Lenders remain responsible for ensuring that the amount of flood insurance meets the mandatory purchase requirements. The mandatory purchase amount is the lesser of

- The outstanding principal balance of the loan(s), or
- The maximum amount of insurance available under the NFIP, which is the lesser of:
 - The maximum limit available for the type of structure, or
 - The "insurable value" of the structure.

Additional Resources

FEMA has prepared a Frequently Asked Questions (FAQ) document to address lenders' questions. A link to the FAQ is attached. Also attached are links to FEMA memorandums dated August 23, 2010, and September 14, 2010, to its WYO companies and the lending community announcing this PRP eligibility extension.

For further information, lenders should contact the NFIP Help Center at (800) 427-4661, FEMA via email at FloodSmart@dhs.gov, or their supervisory regulator.

For more information, please contact Pamela Lea Mount, National Bank Examiner, Compliance Policy Division, at (202) 649-5470; or Margaret Hesse, Special Counsel, Community and Consumer Law Division, at (202) 649-6350.

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Related Links

- [FEMA's Fact Sheet, FAQ, and Talking Points](#)
- [FEMA's "WYO Program Bulletin W-10085"](#)
- [FEMA's "Guidance for Lenders Bulletin W-10089"](#)