



Office of the  
Comptroller of the Currency

# RESCINDED

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Replaced: See OCC 2019-42

## Flood Disaster Protection Act: Revised Comptroller's Handbook Booklet

### Summary

The Office of the Comptroller of the Currency (OCC) issued today the "Flood Disaster Protection Act" booklet of the *Comptroller's Handbook*. This revised booklet replaces a similarly titled booklet issued in May 1999. The revised booklet provides information on changes to the flood insurance requirements resulting from recent amendments to the Flood Disaster Protection Act (FDPA) and the flood insurance regulations (12 CFR 22) and makes other clarifying changes. These changes include an exemption for certain detached structures from the mandatory purchase of flood insurance requirements; escrow requirements for flood insurance premiums and fees for any loan secured by residential real estate or a mobile home that is made, increased, extended, or renewed on or after January 1, 2016; and amendments related to the force placement of flood insurance.

### To

Chief Executive Officers and  
Compliance Officers of All  
National Banks and Federal  
Savings Associations, Federal  
Branches and Agencies,  
Department and Division Heads,  
All Examining Personnel, and  
Other Interested Parties

### Note for Community Banks

The "Flood Disaster Protection Act" booklet applies to the examination of all national banks, federal savings associations, and federal branches and agencies of foreign banks (collectively, banks) subject to the FDPA and the flood insurance regulations codified at 12 CFR 22.

### Highlights

Updates to the "Flood Disaster Protection Act" booklet reflect

- the exemption for certain detached structures from the requirement to purchase flood insurance. Under this exemption, a structure that is part of a residential property but is detached from the primary residential structure of the property and does not serve as a residence is not required to be covered by flood insurance. A bank may choose, however, to require flood insurance on the detached structure to protect the collateral securing the mortgage.
- the requirement for a bank, or a servicer acting on its behalf, to escrow premiums and fees for flood insurance for any loan secured by residential improved real estate or a mobile home that is made, increased, extended, or renewed on or after January 1, 2016. Certain loans are excepted from this requirement. Small lenders that have total assets of less than \$1 billion and, as of July 6, 2012, (1) were not required by

applicable federal or state law to escrow taxes or insurance for the entire term of the loan, and (2) did not have a policy of consistently requiring escrow of taxes or insurance, are also excepted from this requirement.

- the requirement for a bank that is subject to the escrow requirement to offer and make available to borrowers the option to escrow flood insurance premiums and fees for loans that are outstanding as of January 1, 2016. Banks were required to deliver information to borrowers on the escrow option by June 30, 2016, and to implement the escrow as soon as reasonably practicable after receiving a borrower's request to escrow.
- changes to the force placement provision of the FDPA clarifying that a bank, or a servicer acting on its behalf, has authority to charge a borrower for the cost of force-placed flood insurance coverage beginning on the date the borrower-purchased coverage lapsed or became insufficient. In addition, the bank must terminate force-placed insurance coverage within 30 days of receipt of confirmation of a borrower's existing policy and must refund to the borrower all premiums and fees for force-placed insurance paid by the borrower during any period of overlap between the borrower's policy and the force-placed policy.
- examination procedures for determining compliance with the detached structure, escrow, and force placement provisions.

## Background

The Biggert–Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014 amended the FDPA provisions pertaining to the exemptions from the requirement to purchase flood insurance, the escrowing of flood insurance premiums and fees, and the force placement of flood insurance.

The OCC, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Farm Credit Administration (collectively, the agencies) jointly issued rules addressing the exemption from the mandatory purchase requirement for detached structures, the escrow requirement, and the force placement provision on July 21, 2015 (80 Fed. Reg. 43215).

In addition, the Biggert–Waters Act added to the FDPA a provision mandating the acceptance of a private flood insurance policy meeting certain criteria in satisfaction of the mandatory purchase requirement. The agencies indicated in the 2015 rulemaking that the private insurance provision will be addressed in a separate rulemaking.

## Further Information

For further information, contact Rhonda L. Daniels, Compliance Specialist, at (202) 649-5470.

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## Related Link

- ["Flood Disaster Protection Act" \(PDF\)](#)

Topic(s):

- [Flood Disaster Protection Act](#)

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