



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## **FDIC, OTHER AGENCIES ISSUE GUIDANCE ON IMMINENT LAPSE IN FEMA FLOOD INSURANCE AUTHORITY**

The Federal Deposit Insurance Corporation (FDIC) has issued, in cooperation with other federal financial institution regulators, guidance to assist borrowers and lenders in dealing with the lapse in federal flood insurance authority on January 1, 2003.

Congress adjourned in November 2002 without extending the statutory authority to issue flood insurance policies under the National Flood Insurance Program (the NFIP). As a result, the authority of the Federal Emergency Management Agency (FEMA) to issue new flood insurance policies, issue increased coverage on existing policies, and issue renewal policies will expire on December 31, 2002. Borrowers will, therefore, not be able to obtain NFIP insurance for loans secured by property located in a special flood hazard area that close after December 31, 2002 (or renew or increase existing policies after December 31, 2002) until the NFIP is re-authorized, except under certain limited circumstances.

FEMA has indicated that it expects the new Congress to reauthorize the NFIP shortly after it convenes on January 7, 2003, and that the reauthorization will likely be made retroactive to January 1, 2003. However, there are no guarantees that Congress will reauthorize the NFIP, or that reauthorization will be retroactive.

In light of the upcoming lapse, the federal financial institution regulatory agencies (the Board of Governors of the Federal Reserve System, the Farm Credit Administration, the FDIC, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision) have issued informal guidance on issues that may arise during this period of lapsed authorization for lenders and borrowers concerning loans that are or will be secured by property located in a flood hazard area.

The guidance states that regulated institutions can continue to make loans and will not be cited for violating federal flood insurance regulations for not obtaining flood insurance



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at [www.fdic.gov](http://www.fdic.gov), by subscription electronically (go to [www.fdic.gov/about/subscriptions/index.html](http://www.fdic.gov/about/subscriptions/index.html)) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-134-2002

coverage when it is not available through the NFIP during the lapse. Regulated institutions must continue, however, to make flood determinations, provide timely, complete and accurate notices to borrowers, comply with other parts of the flood insurance regulations, and evaluate safety and soundness risks and prudently manage those risks during the lapse period. Further, regulated institutions must have a system in place to ensure that policies are obtained as soon as available following re-authorization for properties that are subject to mandatory flood insurance coverage.

For more information, go to  
[www.fdic.gov/news/news/inactivefinancial/2002/FIL02142.html](http://www.fdic.gov/news/news/inactivefinancial/2002/FIL02142.html)

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