



PRESS RELEASE

Federal Deposit Insurance Corporation

September 26, 1995

FDIC BOARD APPROVES PROPOSAL EXPANDING FLOOD INSURANCE REGULATIONS

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today approved a proposed rule that would expand flood insurance requirements for loans in areas with special flood hazards. The proposed amendment to the FDIC's regulations reflects amendments to federal flood insurance legislation made by the Riegle Community Development and Regulatory Improvement Act of 1994.

The interagency proposal was approved by the Comptroller of the Currency on Monday. The other financial institution regulators are expected to take similar action shortly.

Among other provisions, the proposal would:

- Establish new escrow requirements -- a lending institution that requires the escrow of taxes, property insurance premiums, fees or other charges must require the escrow of flood insurance premiums;
- Provide explicit authority for lenders and servicers to "force-place" flood insurance when adequate coverage is lacking and a borrower fails to purchase insurance within 45 days of being notified of the requirement;
- Permit the imposition of civil money penalties up to \$350 for each violation against a lender that engages in a pattern or practice of violating the flood insurance statute or regulations;
- Add new authority for lenders to charge a reasonable fee for determining if a property is located in a flood hazard area in certain circumstances; and
- Require lending institutions to notify purchasers or lessees if the property securing the loan is located in a special flood hazard area (SFHA).



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.

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Additionally, the proposal requires the agencies to assess compliance with the National Flood Insurance Program when examining the institutions it supervises, and to use a new standard form developed by the Federal Emergency Management Agency for recording whether a security property for a given loan is located in an SFHA.

Comments on the proposed amendments will be received by the FDIC for 60 days following publication in the Federal Register.

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