



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter  
FIL-86-2010  
December 16, 2010

## Federal Emergency Management Agency Preferred Risk Policy: Two-Year Eligibility Extension

**Summary:** The Federal Emergency Management Agency (FEMA) announced on July 15, 2010, that Preferred Risk Policy (PRP) eligibility will be extended two years beginning January 1, 2011. Under provisions of the extension, effective January 1, 2011, a building is generally eligible for a PRP for two years after the building's flood zone is newly mapped into a Special Flood Hazard Area (SFHA) through a map revision. Certain conditions apply for the extended eligibility.

The PRP two-year eligibility extension does not apply to properties in SFHAs before the map change. Residential condominium associations eligible for coverage under the Residential Condominium Building Association Policy are *not* eligible for the PRP or the two-year PRP coverage extension.

### Distribution:

FDIC-Supervised Banks (Commercial and Savings)

### Suggested Routing:

Chief Executive Officer  
Compliance Officer

### Attachment:

[FEMA Preferred Risk Policy: Two-Year Extension of Eligibility](#)

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### Note:

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### Highlights:

- The attached announcement provides information about PRP eligibility, flood zone discrepancies, and mandatory purchase requirements.
- The writing company, not the lender, will validate a customer's PRP extended eligibility and initiate customer contact.
- Lenders are still required, among other things, to ensure the sufficiency of flood insurance coverage; make flood zone determinations; and provide borrowers with notice that their property is located in an SFHA. FEMA has prepared guidance for lenders, including answers to frequently asked questions, which can be found at <http://www.nfipiservice.com/stakeholder/pdf/bulletin/w-10089.pdf>.
- The attached announcement also provides a link to FEMA guidance to the insurance industry. This guidance contains informational materials, including answers to frequently asked questions to help insurers respond to consumer questions.
- For further information, lenders should contact the National Flood Insurance Program Help Center at (800) 427-4661, FEMA via email at [FloodSmart@dhs.gov](mailto:FloodSmart@dhs.gov), or the appropriate regulatory agency.