

Attachment

FEMA Preferred Risk Policy: Two-Year Extension of Eligibility

The Federal Emergency Management Agency (FEMA) announced on July 15, 2010, that, effective January 1, 2011, Preferred Risk Policy (PRP) eligibility will be extended for two years beginning 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 policyholders—those who may potentially 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, 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

Lenders remain responsible for making sure 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 written guidance for lenders and insurance policy issuers announcing the PRP eligibility extension and providing answers to frequently asked questions. Below are links to the guidance and to FEMA's Preferred Risk Policy Eligibility Extension Web site.

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.

[FEMA Lender Guidance](#)

[FEMA Insurer Guidance](#)

[FEMA Preferred Risk Policy Eligibility Extension Website](#)