

Flood Industry Alert

May 28, 2019

Update on Possible NFIP Extension

The NFIP is currently authorized through May 31. There are a few scenarios that could play out to avert an expiration although uncertain at this time. There is a proposed 2-week extension through a Senate bill ([S. 1693](#)) which has been sent to the House. Perhaps less likely at this point is a possible 4-month extension of the NFIP which is part of a disaster relief bill ([H.R. 2157](#)) which was amended and passed by the Senate on Thursday, May 23. If the House passes the bill and the President signs it, then the NFIP would be extended through September 30. Other means for the NFIP to be extended include a 4-month extension through a House bill ([H.R. 2578](#)) which is now in the Senate. We will continue to monitor the activities in Congress related to the NFIP.

Private Flood Insurance Final Rule

As July 1 approaches, banks and other lending institutions, as well as other stakeholders, continue to prepare for the implementation of the [new regulations](#) governing the use of private flood insurance to satisfy the mandatory purchase of flood insurance requirement. To assist federally regulated lenders, the five agencies are holding an [interagency webinar](#) on the new rule on June 18 from 2 p.m. – 3 p.m. EST ([“Interagency Flood Insurance Update on Private Flood Insurance Rule”](#)). For those attending this year’s [National Flood Conference](#) in Washington D.C. being held June 2 – June 5, you will hear from your peers and trade representatives discussing the new rule and its implementation.

As a [reminder](#), once implemented, lending institutions (i) must accept a private flood insurance policy that meets the definition of “private flood insurance” under the regulation, (ii) may accept a policy if the policy includes a statement affirming that it meets this definition (a “compliance aid” for lenders), and (iii) have the discretion to accept a policy if certain requirements are met related to the insurer, the protections in the policy, and others. The definition of “private flood insurance” remains substantively the same as published in the 2016 [Proposed Rule](#) with slight modifications mostly for clarification.

We encourage you to review the Final Rule to consider the impact these changes may have on your business operations and compliance requirements.

National Flood Conference is Here!

Private flood insurance final rule, the start of hurricane season, another short-term extension, Risk Rating 2.0 and other NFIP changes--now as much as ever lenders and servicers need to be engaged in discussions around flood insurance. One way is to attend this year’s National Flood Conference in Washington D.C. from June 2 – June 5. You can still [register](#) and while the host hotel is booked there are area hotels with available rooms if you wish to attend.

This Conference will provide an opportunity for lenders and servicers to hear from FEMA officials, leaders in the private flood market, and industry experts in lending, insurance, and flood mapping. On the agenda this year are a number of sessions targeted at lenders including improving the customer experience, flood determination challenges, private flood insurance, and other important compliance topics. Again this year, our own flood, insurance, and risk experts will present as part of panels including as part of a plenary session on the future of flood mapping in the U.S.

If you plan to attend, contact Scott Giberson at sgiberson@corelogic.com to ensure you connect with the CoreLogic team that will be in attendance.

Risk Rating 2.0 and other NFIP Updates

The NFIP recently released its first [datasheet](#) on [Risk Rating 2.0](#)—its new rating plan under development for NFIP policies expected to become effective October 2020. As described in the datasheet, the intent of the rating transformation is to “deliver rates that are fair, easy to understand, and better reflect a property’s unique flood risk.” According to the NFIP the rating will bring in a broader range of flood frequencies, beyond the 1% annual chance flood level, and factor in data such as a property’s distance-to-flooding source and the building’s cost to rebuild. We encourage you to [monitor developments](#) related to Risk Rating 2.0 and its potential impact on your business or your customers.

In other recent releases, in March the NFIP made updates to its policy cancellation guidelines ([Cancellation Reason Code 26](#)) specific to duplicate policies when a private flood insurance policy is obtained. These changes were incorporated into the NFIP Flood Insurance Manual in April along with other [changes](#) effective in April including to other [Cancellation codes](#).

The NFIP’s [Flood Insurance Advocate’s Office](#) released its [Annual Report](#) summarizing for FEMA the areas of interest and concern from policyholders over the last year. Among the recurring issues handled by the office in 2018 was confusion felt by policyholders living within condominiums. Although not one of the primary issues listed in the report for last year, one of the watch items for 2019 is concern expressed by policyholders when a policy lapses because a lender does not pay the premium. In cases in which the policy is discounted, the policy may lose the discount when purchased again. You are encouraged to review the report to better understand areas of focus for the NFIP as it works to improve the customer experience.

If you have questions or comments regarding the information shared in this Industry Alert, please contact us at floodcompliance@corelogic.com. Feel free to forward this alert to colleagues who may be interested in receiving this information. Individuals may also subscribe to future *Industry Alerts* [here](#).

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