



## Flood Industry Alert

### Private Flood Insurance Rule Takes Effect

July 1, 2019

Today is the effective date of the updated banking regulations related to lenders' acceptance of a [private flood insurance policy](#) to satisfy the mandatory purchase of flood insurance requirements. Some banks and other lending institutions have had procedures for reviewing or accepting non-NFIP flood insurance policies. For these institutions the change necessitates an update to these policies and procedures, including any flood insurance policy review checklist being utilized. For others, this change requires the implementation of new procedures to ensure that private flood insurance policies presented by borrowers which meet the definition of "[private flood insurance](#)" under the regulations are accepted. Under the regulations, lenders may also accept private flood insurance policies without verifying the policy meets the definition if the policy contains the "[Compliance aid for mandatory acceptance](#)" language, meets criteria under "[Discretionary acceptance](#)", or is a [mutual aid society plan](#) determined to be acceptable as flood insurance, as applicable.

The five prudential lending regulators ([FDIC](#), [FCA](#), [OCC](#), [NCUA](#), and [Federal Reserve](#)) as part of an interagency effort recently hosted a [webinar](#) on the new rule, walking participants through the new rule, and providing answers to common questions received to this point. During this webinar, the agencies enumerated the key aspects of an institution's successful implementation of the updated regulations: (i) a sound Compliance Management System, (ii) knowledgeable management, (iii) updates to policies, procedures, and systems including for third party vendors, (iv) applicable training, (v) prepared call center teams, and (vi) compliance monitoring and auditing. Slides and an audio recording are available for review on the Federal Reserve's consumer compliance [page](#).

For their part, [Fannie Mae](#) and [Freddie Mac](#) recently issued communications to those lenders selling loans to them or servicing loans for them affirming that a private flood insurance policy is acceptable to satisfy the flood insurance requirement if the policy is at least equal or equivalent to the NFIP policy and if the insurer issuing the policy meets the respective [Fannie](#) or [Freddie](#) rating requirements within their guidelines. Within each communication, the GSE clarified that the new final rule implemented by the lending regulators does not impact the GSE's requirements.

As your partner in flood compliance, CoreLogic looks forward to continuing the conversation with you on this change in the flood regulations and its impact to your business.

If you have questions or comments regarding the information shared in this Industry Alert, please contact us at [floodcompliance@corelogic.com](mailto: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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