



October 23, 2014

Proposed Rulemaking Related to HFIAA

The FDIC and NCUA each held board meetings this week which included approval of a [notice of proposed rulemaking](#) to be issued jointly by the federal lending regulators and pertaining to implementation of the escrow requirements for flood insurance pursuant to BW 12, as amended by HFIAA. The proposed rule also addresses the provision in HFIAA that waives the mandatory purchase of flood insurance for nonresidential detached structures on residential property.

HFIAA requires lenders to escrow for flood insurance on designated loans newly made, increased, renewed, or extended for residential properties beginning January 1, 2016 (with exceptions for certain lending scenarios). In addition to adopting the HFIAA escrow requirements for these tripwires, the current proposed rule would also provide guidance on requirements for loans outstanding as of January 1, 2016, and would detail possible procedures for lenders that fail to qualify for the small lender exception to the escrow requirements subsequent to January 1, 2016. Regarding the HFIAA provision on nonresidential detached structures, the proposed rule would clarify that such structures need not be included as part of the flood determination, but the regulators acknowledge that lenders may still require flood insurance on such structures as a matter of safety and soundness.

After the notice of proposed rulemaking has been approved by all of the necessary regulators, a 60-day public comment period will commence upon publication of the notice in the Federal Register. You may wish to begin considering to what extent the entirety of this proposed rulemaking may impact your business processes and, if appropriate, work with your compliance or legal departments on a possible response during the comment period.

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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