



January 22, 2015

Flood Updates

Comment Period Continues on Standard Flood Hazard Determination Form

As a **reminder**, you can submit comments to FEMA regarding the proposed draft version of the Standard Flood Hazard Determination Form (086-0-32) through February 9, 2015. Once adopted, the new version of the Form will be required on loans made, increased, renewed, or extended on improved real estate for the next 3 years, thus it is important that you consider any potential impact that this requirement will have on your operations. Particularly, we want to point out the formatting change reflected by this draft—the “Comments” section now appears on a second page of the Form. Since the Form’s release in 1995, the Form has been a single-page form with the option for the user to supplement with additional information as needed. Given the significance of the information contained within the “Comments” section (e.g. information required by [OCC Bulletin 2008-4](#)) and any additional burden caused by a two-page form, consider whether the formatting should remain as a single-page form inclusive of the “Comments” section. If appropriate, you are encouraged to submit comments to FEMA as directed in the Notice.

CoreLogic to include Massachusetts Disclosure along with Flood Determinations

Previously we informed you about the enactment of [MA House bill 3783](#), which became Chapter 177 of the Acts of 2014 (“An Act Further Regulating Flood Insurance”). As Massachusetts’ Division of Banks considers comments received regarding [proposed regulations](#) to its implementation, we are moving forward with an effort to support your needs with respect to this new state law. In the coming weeks, with completed flood determinations on Massachusetts properties in the SFHA, we will provide an additional page—the “Massachusetts Notice of Flood Insurance Coverage on Residential Property”—to clients who already elect to receive from CoreLogic the federal Notice to Borrower In Special Flood Hazard Area. For more information, please contact your account representative or our compliance department at floodcompliance@corelogic.com.

State Laws

In other state activity, [Vermont House bill 13](#) was introduced last week and consists of requirements similar to MA House bill 3783. As with the Massachusetts law, the Vermont proposal would prohibit lenders from requiring flood insurance coverage on residential property that exceeds the outstanding principal balance of the loan, while requiring lenders and insurers to provide notices about the coverage limitation to borrowers. In Virginia, two bills were recently introduced related to flood. Virginia House bill 1399 would require certain lenders, upon the request of a borrower, to establish and maintain an escrow account for monthly payments of any flood insurance for residential property. Virginia House bill 1642 (and companion bill Senate bill 775) relates to residential property disclosures in a purchase transaction and would require that a seller’s disclosure explicitly state that the seller makes no representation related to whether the property is in the special flood hazard area, but instead direct the purchaser to obtain a flood zone determination or consult the lender’s flood determination. You can view the history and text of these Virginia bills by typing the bill in the “Enter a Bill Number” field on the Virginia General Assembly [homepage](#).

As a reminder, two state bills enacted last year – [New Hampshire House bill 1193](#) (enacted May 27, 2014) and [South Carolina Senate bill 569](#) (enacted June 2, 2014) – include requirements for insurance companies to provide certain notices to policyholders regarding flood insurance coverage. These notice requirements became effective on January 1, 2015.

Finally, in the Rule Making Activities section of the New York State Register for January 7, 2015 (see beginning [page 13](#)), the New York Department of Financial Services (DFS) published a Notice of Adoption of a final rule related to force-placed insurance. Although flood insurance is excluded from the definition of force-placed insurance as defined in the new regulation, flood insurance is included for purposes of Section 227.6 (“Prohibited Practices”). The text of the regulation can be found through the 2015 Final Adoptions [webpage](#) on the DFS website.

GSE Requirements Related to NRDS

On December 16, 2014, Fannie Mae released a Selling Guide [announcement](#) including an update to their Guide concerning flood insurance requirements for non-residential detached structures (“NRDS”). To align with HFIAA and in acknowledgement of the Interagency Regulators’ [proposed rule](#) on NRDS, Fannie Mae no longer requires flood insurance on NRDS in the SFHA, but does require flood insurance on principal structures and residential detached structures in the SFHA. Fannie Mae’s guidelines are now consistent with Freddie Mac’s which earlier last year [announced](#) that the flood insurance requirement can be waived on NRDS in the SFHA.

New Congress

Soon after the 114th Congress convened for the first time earlier this month, a bill was introduced in the House to restore subsidized flood insurance rates for certain properties that have been transitioning to full risk rates pursuant to BW 12. Specifically, the bill ([HR 141](#)) would restore pre-FIRM subsidies to business properties and to non-primary residences that qualify as secondary residences, and would require a refund of any excess premiums paid since the enactment of BW 12. The provisions of HR 141 mirror those of HFIAA which [restored pre-FIRM subsidized rates](#) for applicable newly purchased flood insurance.

Interim Office of Flood Insurance Advocate

Last month, FEMA [announced](#) the launch of the Interim Office of the Flood Insurance Advocate. HFIAA requires FEMA to designate a Flood Insurance Advocate to assist policyholders and property owners in matters related to the NFIP and flood risk. As mentioned in the announcement bulletin, FEMA plans to designate a permanent Office of the Flood Insurance Advocate as funding becomes available. Prior to contacting the Flood Insurance Advocate, FEMA encourages the continued use of existing NFIP resources as listed in the bulletin and the Interim Office [webpage](#).

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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