

## Press Releases

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December 20, 2002

### OTS 02-47 - Agencies Release Guidance on Imminent Lapse in FEMA Flood Insurance Authority

#### Office of Thrift Supervision

FOR RELEASE at 2:00 P.M. EDT

For further information

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OTS 02-47

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### Agencies Release Guidance On Imminent Lapse In FEMA Flood Insurance Authority

WASHINGTON - The Office of Thrift Supervision announced today that, in cooperation with the other federal financial institution regulators, it has issued interagency guidance to assist borrowers and lenders in dealing with the anticipated temporary lapse on January 1, 2003, of the authority of the Federal Emergency Management Agency (FEMA) to issue or renew federal flood insurance policies under the National Flood Insurance Program (NFIP).

In light of the upcoming lapse, expected to last at least until Congress reconvenes on January 7, 2003, the federal financial institution regulatory agencies have issued informal guidance outlining the options concerning loans that are or will be secured by property located in a flood hazard area that financial institutions have available during the period in which federal flood insurance authority has lapsed.

The guidance states that thrifts may continue to make loans and will not be cited for violating federal flood insurance regulations for not obtaining flood insurance coverage while it is not available through the NFIP. However, these institutions must continue to make flood determinations, provide timely, complete, and accurate notices to borrowers, comply with other parts of the flood insurance regulations, and evaluate safety and soundness risks and prudently manage those risks during the lapse period. Further, regulated institutions are encouraged to have a system in place to ensure that policies are obtained as soon as available following reauthorization for properties subject to mandatory flood insurance coverage.

FEMA has stated in its letter of December 12, 2002, that if a completed application -- including payment -- or a renewal payment is received by NFIP servicing agents on or before December 31, 2002, the covered property will be protected in the event of a flood after that date. Therefore, according to FEMA, a borrower who makes an application for flood insurance and pays the premium on or before December 31, 2002, will receive coverage even if the effective date of the policy is after January 1, 2003.

A copy of the guidance is available on OTS's website, at [www.ots.treas.gov](http://www.ots.treas.gov). The federal financial institution regulators are: The Board of Governors of the Federal Reserve System, the Farm Credit Administration, the Federal Deposit Insurance Corporation, the National Credit

Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

CEO Ltr 170 Lapse of FEMA Authority to Issue Flood Insurance Contracts -  
<http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2002-47a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).