



RESCINDED

Office of Thrift Supervision
 Department of the Treasury
 1700 G Street, N.W., Washington, DC 20552 (202) 906-5650

Thomas A. Barnes
 Deputy Director, Examinations, Supervision, and Consumer Protection

This rescission does not change the applicability of the conveyed document. To determine the applicability of the conveyed document, refer to the original issuer of the document.

November 1, 2010

MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM: Thomas A. Barnes, Deputy Director
 Examinations, Supervision, and Consumer Protection

SUBJECT: FEMA Preferred Risk Policies (PRP) – Two Year Extension of Eligibility for Purchasing a Preferred Risk Policy

The Federal Emergency Management Agency (FEMA) announced on July 15, 2010, that, effective January 1, 2011, Preferred Risk Policy (PRP) eligibility will be extended for two years beginning January 1, 2011, or the effective date of the flood map revision, whichever is later, for some policies covering buildings newly mapped within a Special Flood Hazard Area (SFHA) by a flood map revision effective on or after October 1, 2008. PRPs offer low-cost coverage to owners and tenants of eligible buildings located in National Flood Insurance Program (NFIP) Regular Program communities. FEMA’s stated goal in providing this temporary extension of PRP eligibility is to reduce some of the financial burden on borrowers with collateral located in newly mapped SFHAs. FEMA states that insurance companies will be contacting policyholders – those who may potentially qualify for this extension – at least ninety days before their policy expires.

The PRP two-year eligibility extension does not apply to properties that were already located in SFHAs prior to the map change. Residential condominium associations eligible for coverage under the Residential Condominium Building Association Policy (RCBAP) are not eligible for the PRP, and therefore, are not eligible for this two-year extension of PRP coverage.

Determining PRP Eligibility

The flood insurance policy writing company, not the lender, will be responsible for determining and validating PRP extended eligibility. The NFIP Direct and all Write-Your-Own (WYO) companies will be required to display two flood zones (“Current Flood Zone” and “Flood Risk/Rated Zone”) on PRP declarations pages. The “Current Flood Zone” should match the flood zone identified on the lender’s Standard Flood Hazard Determination Form (SFHDF).

Zone Discrepancy Issues

The lender should address flood zone discrepancies between the lender’s SFHDF and the “Current Flood Zone” in accordance with the Revised Interagency Questions and Answers

Regarding Flood Insurance. Lenders need not delay closings during this process. Differences between the “Current Flood Zone” and the “Flood Risk/Rated Zone” on these PRP policies or between the SFHMA and the “Flood Risk/Rated Zone” are not to be considered discrepancies.

Mandatory purchase requirements

Lenders remain responsible for making sure the amount of flood insurance meets the mandatory purchase requirements. The mandatory purchase amount is the lesser of:

- The outstanding principal balance of the loan(s) or
- The maximum amount of insurance available under the NFIP, which is the lesser of:
 - The maximum limit available for the type of structure or
 - The "insurable value" of the structure

Additional resources

FEMA has prepared a Frequently Asked Questions (FAQ) document to address questions it anticipates from lenders. Attached are links to FEMA’s Fact Sheet, FAQ and Talking Points. Also attached are WYO Program Bulletins dated August 23, 2010 and September 14, 2010, to WYO companies and the lending community announcing this PRP eligibility extension.

For further information, lenders should contact the NFIP Help Center at (800) 427-4661, FEMA via email at FloodSmart@dhs.gov, or their supervisory regulator. Please direct questions to Ekita Mitchell, Consumer Program Analyst, (202) 906-6451 or ekita.mitchell@ots.treas.gov.

Attachments

Link to FEMA’s Fact Sheet, FAQ, and Talking Points

www.FloodSmart.gov/PRPExtension

Link to FEMA WYO Program Bulletin W-10085

<http://www.nfipiservice.com/stakeholder/pdf/bulletin/w-10085.pdf>

Link to FEMA WYO Program Bulletin W-10089

<http://www.nfipiservice.com/stakeholder/pdf/bulletin/w-10089.pdf>