

FEMA Extension of Grace Period for NFIP Policies and Impact on OCC's Force Placement Requirements

Date: April 15, 2020

On March 29, 2020, the Federal Emergency Management Agency (FEMA) announced in Bulletin W-20002 that the grace period to renew National Flood Insurance Program (NFIP) policies that expire between February 13, 2020 and June 15, 2020 (FEMA emergency period) has been extended from 30 days to 120 days due to the COVID-19 emergency. Based on Bulletin W-20002, a borrower will be covered by the NFIP policy if the flood insurance premium is paid before the 120-day grace period expires.

In accordance with the OCC's flood insurance force placement regulations, 12 CFR 22.7, when a national bank or Federal savings association (collectively, bank) makes a determination that a designated loan is not covered by flood insurance or is not covered by a sufficient amount of flood insurance, it must notify the borrower that the borrower should obtain sufficient flood insurance, at the borrower's expense for the remaining term of the loan. If the borrower does not provide evidence of sufficient coverage within 45 days after notification, the bank must force place flood insurance in an amount that will satisfy the regulatory requirements.

The OCC recognizes the serious impact the COVID-19 emergency may have on consumers and on the operations of many supervised entities. Accordingly, and in light of Bulletin W-20002, for NFIP policies expiring during the FEMA emergency period, the OCC does not expect to take supervisory or enforcement action against a bank for reasonable delays in complying with the requirements of 12 CFR 22.7 in connection with the 120-day grace period provided that the bank made good faith efforts to support borrowers and comply with the flood insurance force placement requirements, as well as responded to any needed corrective action identified in supervisory feedback. For example, a bank may provide the notice required by § 22.7 to the borrower after determining the policy has expired informing the borrower they should obtain sufficient flood insurance, which also includes an indication that the NFIP grace period has been extended for 120 days, or a bank may delay providing the required notice until 45 days before the end of the 120-day grace period. At the end of the 120-day grace period, the bank must force place flood insurance on the borrower's behalf if the borrower has not obtained flood insurance.

Banks should be aware that if they force place flood insurance for NFIP policies that expire during the FEMA emergency period prior to the expiration of the 120-day grace period and the borrower pays the premium by the end of the 120-day grace period, then consistent with the OCC's flood insurance regulatory requirements in 22.7(b), the bank would be required to refund the borrower for any overlapping flood insurance coverage.