

Excerpted from **Frequently Asked Questions for Financial Institutions Affected by the Coronavirus Disease 2019** (Referred to as COVID-19) – As of May 7, 2020.

<https://www.fdic.gov/coronavirus/faq-fi.pdf>

30. [05/03/2020] Force Place Flood Insurance. How does the Federal Emergency Management Agency (FEMA) Bulletin W-20002 affect the force placement requirement under the Flood Disaster Protection Act and the implementing regulation? If a flood insurance policy lapses during the COVID-19 emergency, should a lender force place insurance?

The FDIC understands that the effects of the COVID-19 emergency on lenders and their customers is an evolving situation that could pose significant temporary business disruptions and challenges that affect lenders, businesses, and borrowers. In accordance with the flood insurance force placement regulations, when a lender makes a determination that a designated loan is not covered by a sufficient amount of flood insurance, it must notify the borrower. If the borrower does not provide evidence of sufficient coverage within 45 days after notification, the lender must force place flood insurance in an amount to satisfy the regulatory requirements. In addition, as a result of the COVID-19 emergency, National Flood Insurance Program (NFIP) policy holders with policies that expire between February 13, 2020 and June 15, 2020 (FEMA emergency period) now have a grace period of 120 days (up from the standard 30 days) after the expiration date of a policy to reinstate flood insurance coverage.¹⁹

In light of this policy, for NFIP policies expiring during the FEMA emergency period, lenders may consider the following examples on implementing FEMA's grace period extension:

- A lender may provide the required notice to the borrower after determining the policy has expired with an indication that the NFIP grace period has been extended for 120 days. Lenders may inform borrowers that, in light of Bulletin W-20002, force placement will not occur until the end of the 120-day period.
- Alternatively, a lender may provide the required notice to the borrower at least 45 days before the end of the 120-day grace period.
- For either example, if a flood insurance policy is insufficient or has expired or lapsed, lenders should make good faith efforts to have borrowers obtain sufficient flood insurance; otherwise, flood insurance should be force-placed on behalf of a borrower if the borrower does not pay the premium at the end of the 120-day grace period to ensure protection is in place in the event of a flood.
- FDIC examiners, under the FDIC's discretionary examination authority, will consider lenders' good faith efforts to comply with flood insurance requirements, provided that the circumstances were related to the COVID-19 emergency and that the institution responded to any needed corrective action.
- Lenders 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, the lender would be required under existing flood insurance regulations to refund the borrower for any overlapping flood insurance coverage. For additional information about FEMA's extension of the grace period for flood insurance renewal premiums, please see:

<https://nfipservices.floodsmart.gov/sites/default/files/w20002.pdf> and
<https://www.fema.gov/news-release/2020/03/29/fema-extends-grace-periodflood-insurance-renewal-premiums>

¹⁹ On March 29, 2020, FEMA announced in Bulletin W-20002 that the grace period to renew NFIP policies has been extended from 30 days to 120 days due to the COVID-19 emergency.¹⁹ Based on Bulletin W-20002, a borrower will be continually covered by the NFIP policy if flood insurance premium is paid before the 120-day grace period expires.