

# Compliance Alert



Compliance Alert 2020-008

## Published OCC and Federal Reserve Guidance

May 4, 2020

On April 27, 2020, the Office of the Comptroller of Currency (OCC) [posted](#) to their website frequently asked questions that document the [previously communicated](#) guidance regarding the grace period extension on National Flood Insurance Program (NFIP) policies as a result of the COVID-19 pandemic.

Last week, the Federal Reserve published aligning guidance to their [Supervisory and Regulatory Actions in Response to COVID-19](#) page. Federal Reserve guidance advises that they would accept either of the following practices for NFIP policies:

- *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 after the end of the 120-day period.*
- *A lender may provide the required notice to the borrower at least 45 days before the end of the 120-day grace period.*

A lender may also decide not to implement either practice and continue to send the required notice and issue lender-placement following their existing procedures. If the borrower pays the NFIP premium by the end of the 120-day grace period, the lender would be required to refund the borrower for overlapping flood coverage.

In addition, the Federal Reserve notes that if the lender modifies a loan by extending the loan term, the action would be considered a triggering event under the federal flood statutes and flood insurance requirements may apply, including:

- Establishing escrow for flood insurance
- Making a flood zone determination on the property securing the loan
- Providing the notice of special flood hazards to the borrower

NatGen continues to monitor all the emergency orders being issued by the Departments of Insurance, the Governors' offices and federal entities such as FEMA, Federal Regulatory Agencies and GSEs.

If you have any questions, please contact your NatGen representative.

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