



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-86-2010
December 16, 2010

FEDERAL EMERGENCY MANAGEMENT AGENCY PREFERRED RISK POLICY: Two-Year Eligibility Extension

Summary: The Federal Emergency Management Agency (FEMA) announced on July 15, 2010, that Preferred Risk Policy (PRP) eligibility will be extended two years beginning January 1, 2011. Under provisions of the extension, effective January 1, 2011, a building is generally eligible for a PRP for two years after the building's flood zone is newly mapped into a Special Flood Hazard Area (SFHA) through a map revision. Certain conditions apply for the extended eligibility.

The PRP two-year eligibility extension does not apply to properties in SFHAs before the map change. Residential condominium associations eligible for coverage under the Residential Condominium Building Association Policy are *not* eligible for the PRP or the two-year PRP coverage extension.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Compliance Officer

Attachment:

FEMA Preferred Risk Policy: Two-Year Extension of Eligibility

Contact:

John Jackwood, Senior Policy Analyst
(Compliance), at (202) 898-3991 or
jjackwood@fdic.gov

Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2010/index.html.

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained from the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- The attached announcement provides information about PRP eligibility, flood zone discrepancies, and mandatory purchase requirements.
- The writing company, not the lender, will validate a customer's PRP extended eligibility and initiate customer contact.
- Lenders are still required, among other things, to ensure the sufficiency of flood insurance coverage; make flood zone determinations; and provide borrowers with notice that their property is located in an SFHA. FEMA has prepared guidance for lenders, including answers to frequently asked questions, which can be found at <http://www.nfipiservice.com/stakeholder/pdf/bulletin/w-10089.pdf>.
- The attached announcement also provides a link to FEMA guidance to the insurance industry. This guidance contains informational materials, including answers to frequently asked questions to help insurers respond to consumer questions.
- For further information, lenders should contact the National Flood Insurance Program Help Center at (800) 427-4661, FEMA via email at FloodSmart@dhs.gov, or the appropriate regulatory agency.