Department of the Treasury
Office of Thrift Supervision

Transmittal

October 19, 1995 Number: 141

In the attached notice, the Office of Thrift Supervision (OTS) and five other federal banking and financial regulatory agencies propose rules implementing the new statutory requirements for the National Flood Insurance Program. The proposal is designed to comply with the new requirements of the law with the least possible regulatory burden.

The proposed rules would carry out requirements of the National Flood Insurance Reform Act of 1994, a section of the Riegle Community Development and Regulatory Improvement Act of 1994.

Under the law, lenders making loans secured by property in areas designated as special flood hazard areas are required to take out flood insurance if borrowers fail to do so. Lenders have authority to require borrowers to pay for the flood insurance. Flood insurance premiums for such property must be included in escrow payments if the lender sets up an escrow account for taxes or other property insurance. Flood hazard notice requirements are enhanced, and lenders have new authority to charge fees for determining if a property is located in a special flood hazard area. Lenders can be fined for failing to enforce provisions of the law.

OTS specifically asks for public comment on the question of whether the requirement to obtain flood insurance should be imposed on purchased loans. At present, OTS requires flood insurance on purchased as well as originated loans.

OTS proposes to continue to exempt savings and loan holding companies from the flood insurance requirements but would clarify that service corporations would have to follow the same flood insurance rules as their parent thrift institution. Bank subsidiaries operate under similar rules.

The notice of proposed rulemaking was published jointly by OTS, the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the National Credit Union Administration.

The notice of proposed rulemaking was published in the October 18, 1995, edition of the *Federal Register*, Vol. 60, No. 201, pp. 53961–53985. Written comments must be received on or before December 18, 1995, and should be addressed to: Chief, Dissemination Branch, Records Management and Information Policy Division, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552.

Jonathan L. Fiechter
Acting Director
Office of Thrift Supervision

Attachment