

Proposal: 1720 Interagency Questions and Answers Regarding Flood Insurance

Description:

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From: Thomas Compliance Associates, Inc., Steven M. Gust

Proposal: 1720 Interagency Questions and Answers Regarding Flood Insurance

Subject: OP-1720 Loans in Areas Having Special Flood Hazards; Interagency Questions and Answers Regarding Flo

Comments:

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Clarification on Question "Servicing 2"

The regulation indicates when an institution "makes, increases, extends, renews, sells, or transfers a loan secured by a building or mobile home located or to be located in a special flood hazard area, it shall notify the Administrator of FEMA (or the Administrator's designee) in writing of the identity of the servicer of the loan." It then goes on to indicate (my interpretation) that the process of acquiring or revising a flood policy will fulfill the initial notification requirement. The regulation provides no exception for this notice when dealing with scenario where a RCBAP provides sufficient coverage (i.e. no additional individual flood policy is required). In this scenario, the "Administrator of FEMA or the Administrator's designee" would not receive notice since a policy is not purchased or updated. Would you clarify the agencies expectation in this scenario.

Servicing 2. When a lender makes a designated loan and will be servicing that loan, what are the requirements for notifying the Administrator of FEMA or the Administrator's designee, i.e. the insurance provider?

The Regulation states that the Administrator's designee is the insurance company issuing the flood insurance policy. The borrower's purchase of an NFIP policy (or the lender's force placement of an NFIP policy) will constitute notice to FEMA when the lender is servicing that loan.

In the event the servicing is subsequently transferred to a new servicer, the lender must provide notice to the insurance company of the identity of the new servicer no later than 60 days after the effective date of such a change.

The guidance provided by TCA is based on our "good faith" interpretation of the CFPB's changes to the TRID Regulations and verbal guidance provided by the CFPB to date. TCA is not responsible for changes to the TRID Regulations by the CFPB that are not communicated to TCA or clarified in the Regulation itself.

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