

December 16, 2002

The article below will be published in Freddie Mac online publications for Seller/Servicers beginning December 18. The article reinforces that Freddie Mac's flood insurance requirements remain unchanged in light of the status of the National Flood Insurance Program (NFIP).

Flood Insurance Requirements Remain In Effect

The 107th Congress adjourned at the end of November without reauthorizing certain provisions of the National Flood Insurance Program (NFIP) for 2003, including authorization related to the issuance of new policies. The current authorization for the NFIP to issue new flood insurance policies expires on December 31, 2002. The Federal Insurance and Mitigation Administration (FIMA), which administers the NFIP, is working to keep the industry informed and expects a short hiatus in NFIP authority until Congress reconvenes in January. FIMA expects that Congress will reauthorize the NFIP for 2003, retroactive to January 1, 2003.

Freddie Mac's policies on flood insurance in the *Single-Family Seller/Servicer Guide* (Guide) Chapters 46 and 58 remain unchanged, including:

- If you're originating mortgages for sale to Freddie Mac, you must continue to perform flood zone determinations.
- Dwellings on mortgaged properties in Special Flood Hazard Areas must have flood insurance; and mortgages delivered to us on such properties must have evidence of flood insurance.
- If you're servicing mortgages for Freddie Mac, payments to renew expiring policies must be effected as scheduled.

A borrower whose property is determined to be in a Special Flood Hazard Area must provide lenders with proof of purchase of flood insurance no later than at closing. Borrowers may choose NFIP flood insurance or private flood insurance that provides coverage at least equivalent to that provided by the NFIP. Generally, the agent a borrower contacts for homeowner insurance required with all mortgage applications should be able to take the borrower's application and premium payment for NFIP flood insurance. If the borrower is interested in private flood insurance, the borrower or the borrower's insurance agent may call the following toll-free phone numbers from 9 a.m. to 8 p.m. ET for rate and term quotes:

- In California and Florida: (866) 962-7347
- All other states: (866) 962-3477

The above phone lines are staffed by WNC First Insurance Services, a California-based provider of insurance services.

Remember, if a borrower has applied for NFIP flood insurance, per our current Guide policies in Chapter 46, acceptable evidence pending issuance of the final policy includes:

- Completed and executed NFIP Flood Insurance Application plus a copy of the borrower's premium check or agent's paid receipt, or
- Completed and executed NFIP Flood Insurance Application plus the final HUD-1 form reflecting the flood insurance premium collected at closing, or
- Completed and executed NFIP General Change Endorsement Form showing the assignment of the current flood insurance policy by the property seller to the borrower, or
- Agent-executed NFIP Certification of Proof of Purchase of Flood Insurance

Borrowers that apply for NFIP flood insurance during the hiatus should receive from their insurance agent a notice explaining the hiatus and the disposition of their application and payment for flood insurance, pending Congressional reauthorization of the NFIP. If borrowers apply for private flood insurance, the insurer's binder or equivalent of the applicable NFIP form is acceptable pending issuance of the final policy. Private flood insurance is not affected by the hiatus in NFIP authority.

FIMA indicates that it has informed its insurance agents of the appropriate process to follow during the hiatus period. Even with the hiatus in authority, FIMA has communicated that new and renewal policies will still be issued by NFIP for flood insurance coverage that will become effective after December 31, 2002 if the premium is received on or before this date.

If developments in the NFIP reauthorization process warrant, we will provide further communications and guidance related to Freddie Mac flood insurance policies in January. For more information about Freddie Mac's flood insurance policies, you should thoroughly review Guide Chapters 46 and 58, and contact your Account Manager with any questions.