

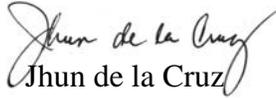


FEMA

W-09065

October 19, 2009

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators and
National Flood Insurance Program (NFIP) Servicing Agent

FROM: 
Jhun de la Cruz
Chief, Underwriting Branch
Risk Insurance Division

SUBJECT: NFIP Underwriting Bulletin – Effective Date Rules for Loan Closings

This bulletin is intended to clarify exceptions to the standard 30-day waiting period in establishing the NFIP flood insurance policy effective date, especially when the flood insurance application date and the premium payment date differ from the loan closing date. The revised effective date rules in connection with loan transactions outlined under items 1 and 2 below apply to loan closings occurring on or after January 1, 2010.

If the purchase of flood insurance is in connection with making, increasing, extending, or renewing a loan, the standard 30-day waiting period does not apply. Use the rules below to determine the policy effective date.

1. Premium payment from the escrow account (lender's check), title company, or settlement attorney is considered made at closing if the check is received by the writing company within 30 days of the closing date (closing date plus 29 days) and the application is dated on or before the closing date. If received after 30 days, the effective date is the receipt date regardless of the flood zone.

Example: Loan closing date is 1/15/2010, application is signed 1/15/2010, and the check from the title company is dated 1/30/2010. The insurance company receives the application and premium on 2/4/2010 (within 30 days of the closing date). The policy will be effective on 1/15/2010. This rule applies to policies written in all flood zones.

2. If the application is dated on or before the loan closing date, the effective date is the closing date if the application and premium are received within 10 days of the closing date (closing date plus 9 days). If received after 10 days, the effective date is the receipt date regardless of the flood zone.

Example: Loan closing date is 1/15/2010, application is signed 1/13/2010, and the check from the insured (or agent) is dated 1/13/2010. The insurance company receives the application and premium on 1/24/2010 (within 10 days of the loan closing date). The policy will be effective on 1/15/2010. This rule applies to policies written in all flood zones.

If the application date is after the loan closing date, then the effective date rules for loan closing do not apply. Use the effective date rule for “New Policy (in connection with lender requirement)” in the General Rules section of the *Flood Insurance Manual*.

If a loss occurs during the first 30 days of the policy term, and the 30-day waiting period did not apply because of a loan transaction or a lender requirement, the insurer must obtain documentation such as settlement papers showing the date of the loan transaction, or a letter from the lender dated on or before the application date requiring the borrower to obtain flood insurance.

If you have any questions, please contact Steve Van Dyke of my staff at (202) 212-4713.

cc: IBHS, FIPNC, Vendors, Government Technical Representative

Required Routing: Underwriting, Marketing