

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 74-46
February 15, 1974

AMENDMENT TO REGULATION H (Flood Insurance Requirements)

To All Member Banks
in the Eleventh Federal Reserve District:

The Board of Governors has amended Regulation H to implement the flood insurance requirements of sections 102 and 202 of the Flood Disaster Protection Act of 1973 (P.L. 93-234), which was signed into law December 31, 1973. Other Federal regulatory agencies are publishing similar rules restricting lending under the new legislation.

The new regulations prohibit any State member bank, after March 1, 1974, from making, increasing, extending, or renewing any loan secured by improved real estate or a mobile home located or to be located in an area (1) that has been identified by the Federal Insurance Administration of the U. S. Department of Housing and Urban Development as an area having special flood hazards and (2) in which federally-subsidized flood insurance is available for sale, unless adequate flood insurance has been obtained by the owner of such property. Further, the new regulations extend the insurance purchase requirements, after June 30, 1975, to all formally identified areas having special flood hazards, so that if the community in which the area is situated is not by then participating in the National Flood Insurance Program, no mortgage loan or grant for acquisition, construction, or improvement of land or buildings can be made within the special flood hazard area.

Scope of Coverage - The insurance requirements would apply to all new loans, including renewals, as well as to any modification of outstanding loans, but would not apply to existing loans which no new approvals or changes in conditions were applied for. Also, flood insurance would be required on personal property but only if (1) the loan for personal property was part of, or made at the same time as, a loan or loan modification involving real estate or a mobile home and (2) the personal property was itself made subject to the real estate mortgage or chattel mortgage or other security interest for the benefit of the lender.

Amount of Insurance Required - The amount of insurance to be required is the maximum limit of coverage available or an amount equal to the balance of the loan, whichever is less. Only those limits of coverage must be purchased by a borrower which are available under the National Flood Insurance Program at the time of the loan closing within the particular community in which the property securing the loan is located.

Record-Keeping Requirement - The regulations require each State member bank to maintain records sufficient to indicate the method used to determine whether or not a loan secured by improved real estate or a mobile home falls within the provisions of the regulations and whether or not the property is, therefore, covered by appropriate flood insurance.

In order to comply with the regulation, you will necessarily have to determine first, whether the area in which the property is located is a flood hazard area. Second, you will have to determine whether flood insurance is available in the area, and assuming an affirmative answer on these two points, you will have to determine the maximum amount of such insurance available and whether or not the "proviso" embodied in section 208.8(e)(1) of the regulation with respect to State-owned property applies.

Availability of Further Information - While the flood insurance program itself is complicated, the insurance purchase requirement is intended to be very similar to the normal fire insurance requirements which private lenders themselves have imposed and with which they are thoroughly familiar. Within eligible communities, flood insurance can be, and generally is, sold by all licensed property insurance agents and brokers, who will ordinarily know the status of the flood insurance program in the particular community, the location of the special flood hazard areas, and the limits of coverage available. However, more detailed or technical questions can be answered by the insurance servicing company for the program for the State or area in which the community is located, or by the National Flood Insurers Association, 160 Water Street, New York, New York 10038, telephone (212)487-5000. A State-by-State list of insurance servicing companies is enclosed for your convenient reference. (Some maps are available from these servicing companies as an additional means of helping you ascertain whether the property involved is in a designated flood hazard area.) Other questions may be referred to the Federal Insurance Administration, U. S. Department of Housing and Urban Development, Washington, D. C. 20410, telephone (202)755-5581.

Also attached is a copy of the amendment for insertion in the ring binder containing the Regulations of the Board of Governors and the Bulletins of this Bank, and a copy of the Board's press release dated February 6, 1974.

Yours very truly,

P. E. Coldwell

President

Enclosures (3)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

AMENDMENT TO REGULATION H

MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM

Effective March 2, 1974, the regulation is amended by adding a new section, 208.8, Banking Practices, and renumbering the succeeding sections. The Table of Contents is changed to read as follows:

Sec. 208.1	Definitions
Sec. 208.2	Eligibility Requirements
Sec. 208.3	Insurance of Deposits
Sec. 208.4	Application for Membership
Sec. 208.5	Approval of Application
Sec. 208.6	Privileges and Requirements of Membership
Sec. 208.7	Conditions of Membership
Sec. 208.8	Banking Practices
Sec. 208.9	Establishment or Maintenance of Branches
Sec. 208.10	Publication of Reports of Member Banks and their Affiliates
Sec. 208.11	Voluntary Withdrawal from Federal Reserve System
Sec. 208.12	Board Forms

As an incident to these amendments, §§ 208.8, 208.9, 208.10, and 208.11 are redesignated §§ 208.9, 208.10, 208.11, and 208.12, respectively.

SECTION 208.8—BANKING PRACTICES

(a) **Scope.** No State member bank shall engage in practices which are unsafe or unsound or which result in a violation of law, rule, or regulation, or which violate any condition imposed by or agreements entered into with the Board. This section outlines certain of the practices in which State member banks should not engage.

(b) **Waiver.** A State member bank has the right to petition the Board to waive the conditions of section 208.8. A waiver may be granted upon a showing of good cause. The Board in its discretion may choose to limit, among other items, the scope, duration, and timing of the waiver.

(c) **Reserved.**

(d) **Reserved.**

(e) **Loans by State member banks in identified flood hazard areas.**

(1) **Property securing loan must be insured against flood.** No State member bank shall make, increase, extend or renew any loan secured by improved real estate or a mobile home located or to be located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, unless the building or mobile home and any personal property securing such loan is covered for the term of the loan by flood insurance in an amount at least equal to the outstanding principal balance of the loan or to the maximum limit of coverage made available with respect to the particular type of property under the Act, whichever is less. Notwithstanding the foregoing provision, flood insurance shall not be required on any State-owned property that is covered under an adequate policy of self-insurance satisfactory to the Secretary of Housing and Urban Development who shall publish and periodically revise the list of states falling within the exemption provided in this paragraph.

(2) **Prohibition as to loans in nonparticipating communities.** On or after July 1, 1975, no State member bank shall make, increase, extend, or renew any loan secured by improved real estate or a mobile home located or to be located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards, unless the community in which such area is situated is then participating in the national flood insurance program.

(3) **Records of compliance.** Each State member bank shall maintain, in connection with all loans secured by improved real estate or a mobile home, sufficient records to indicate the method used by the bank to determine whether or not such loans fall within the provisions of this section 208.8(e).



FEDERAL RESERVE

press release

For Immediate Release

February 6, 1974

The Board of Governors of the Federal Reserve System today announced a regulatory amendment effective March 2, 1974, prohibiting state chartered member banks from lending on improved real estate, or a mobile home, in an identified flood hazard area unless the property is covered by appropriate flood insurance.

The restriction applies also to such property in any community in a designated flood hazard area not participating in the national flood insurance program by July 1, 1975.

In both cases the lending restrictions being added to the Board's Regulation H -- dealing with unsafe, unsound or illegal banking practices -- are required to implement the Flood Disaster Protection Act of 1973 (P.L. 93-234). The new legislation, signed into law by the President December 31, 1973, increases the limits of coverage. The Act requires Federal agencies regulating financial institutions to direct institutions subject to their rules:

" . . . not to make, increase, extend, or renew (after March 2, 1974) any loan secured by improved real estate, or mobile home, located or to be located in an area identified by the Secretary (of Housing and Urban Development) as an area having special flood hazards," where Federal flood insurance is available, unless

" . . . the property is covered for the term of the loan by flood insurance in an amount at least equal to the outstanding principal balance or to the maximum limit of coverage . . . under the Act, whichever is less."

A similar prohibition affects lending on property in communities located in designated flood hazard areas unless, by July 1, 1975, such communities are participating in the national flood insurance program.

An exception applies to State owned property covered under self-insurance satisfactory to the Secretary of HUD. The Secretary is required to publish lists of states falling within the exemption.

Other Federal regulatory agencies are publishing similar rules restricting lending under the new flood insurance legislation.

The Board's order in the matter is attached.

NATIONAL FLOOD INSURANCE

PROGRAM

LIST OF SERVICING COMPANY OFFICES

February 1973

NATIONAL FLOOD INSURERS ASSOCIATION

(in cooperation with the U. S. Government)

160 Water St., New York, N. Y. 10038

This list indicates the Servicing Company offices to be contacted for information relative to the availability of coverage under the National Flood Insurance Program in each state, and from whom agents can secure applications and manuals.

Alabama

The Hartford Insurance Group
Hartford Building
100 Edgewood Avenue
Atlanta, Georgia 30301
Phone: (404) 521-2059

Alaska

Industrial Indemnity Co. of Alaska
943 West Sixth Avenue
Anchorage, Alaska 99501
Phone: (907) 279-9441

Arizona

Aetna Life & Casualty
Suite 901
3003 North Central Avenue
Phoenix, Arizona 85012
Phone: (602) 264-2621

Arkansas

The Travelers Indemnity Company
103 Seventh Street
Little Rock, Arkansas 72201
Phone: (501) 375-3253

California—Northern

Fireman's Fund American Insurance Companies
P.O. Box 3136
San Francisco, California 94120
Phone: (415) 421-1676

California—Southern

Fireman's Fund American Insurance Companies
P. O. Box 2323
Los Angeles, California 90054
Phone: (213) 381-3141

Colorado

CNA Insurance
1660 Lincoln—Suite 1800
Denver, Colorado 80203
Phone: (303) 266-0561

Connecticut

Aetna Insurance Company
P. O. Box 1779
Hartford, Connecticut 06101
Phone: (203) 523-4861

Delaware

General Accident F & L Assurance Corp., Ltd.
414 Walnut Street
Philadelphia, Pennsylvania 19106
Phone: (215) 238-5000

Florida

The Travelers Indemnity Company
1516 East Colonial Drive
Orlando, Florida 32803
Phone: (305) 896-2001

Georgia

The Hartford Insurance Group
Hartford Building
100 Edgewood Avenue
Atlanta, Georgia 30301
Phone: (404) 521-2059

Hawaii

First Insurance Co. of Hawaii, Ltd.
P. O. Box 2866
Honolulu, Hawaii 96803
Phone: (808) 548-5511

Idaho

Allied Mutual Insurance Company
Snake River Division
1845 Federal Way
Boise, Idaho 83701
Phone: (208) 343-4931

Illinois

State Farm Fire & Casualty Co.
Illinois Regional Office
2309 E. Oakland Avenue
Bloomington, Illinois 61701
Phone: (309) 557-7211

Indiana

United Farm Bureau Mutual Insurance Co.
130 East Washington Street
Indianapolis, Indiana 46204
Phone: (317) 263-7200

Iowa

Employers Mutual Casualty Company
P. O. Box 712
Des Moines, Iowa 50304
Phone: (515) 280-2511

Kansas

Royal-Globe Insurance Companies
1125 Grand Avenue
Kansas City, Missouri 64141
Phone: (816) 842-6116

Kentucky

CNA Insurance
111 East 4th Street
Cincinnati, Ohio 45202
Phone: (513) 621-7107

Louisiana

Aetna Life & Casualty
P. O. Box 61003
New Orleans, Louisiana 70160
Phone: (504) 821-1511

Maine

Commercial Union Insurance Company
c/o Campbell, Payson & Noyes
57 Exchange Street, Box 527 Pearl Street Station
Portland, Maine 04116
Phone: (207) 774-1431

Maryland

U. S. Fidelity & Guaranty Company
Calvert & Redwood Streets
Baltimore, Maryland 21203
Phone: (301) 539-0380

Massachusetts—Eastern

Commercial Union Insurance Company
1 Beacon Street
Boston, Massachusetts 02108
Phone: (617) 725-6358

Massachusetts—Western

Aetna Insurance Company
P. O. Box 1779
Hartford, Connecticut 06101
Phone: (203) 523-4861

Michigan

Insurance Company of North America
Room 300—Buhl Building
Griswold & Congress Streets
Detroit, Michigan 48226
Phone: (313) 963-4114

Minnesota—Eastern

The St. Paul Fire & Marine Insurance Company
P. O. Box 3470
St. Paul, Minnesota 55165
Phone: (612) 222-7751

Minnesota—Western

The St. Paul Fire & Marine Insurance Company
7900 Xerxes Avenue South
Minneapolis, Minnesota 55431
Phone: (612) 920-6600

Mississippi

The Travelers Indemnity Company
5360 Interstate 55 North, P. O. Box 2361
Jackson, Mississippi 39205
Phone: (601) 956-5600

Missouri—Eastern

MFA Insurance Companies
1817 West Broadway
Columbia, Missouri 65201
Phone: (314) 445-8441

Missouri—Western

Royal-Globe Insurance Companies
1125 Grand Avenue
Kansas City, Missouri 64141
Phone: (816) 842-6116

Montana

The Home Insurance Company
8 Third Street N. — P. O. Box 1031
Great Falls, Montana 59401
Phone: (406) 761-8110

Nebraska

Royal-Globe Insurance Companies
1125 Grand Avenue
Kansas City, Missouri 64141
Phone: (816) 842-6116

Nevada

The Hartford Insurance Group
P. O. Box 500
Reno, Nevada 89504
Phone: (702) 329-1061

New Hampshire

Commercial Union Insurance Company
1 Beacon Street
Boston, Massachusetts 02108
Phone: (617) 725-6358

New Jersey

Centennial Insurance Company
97 Main Street
Chatham, New Jersey 07928
Phone: (201) 635-6800

New Mexico

CNA Insurance
518 Seventeenth Street
Denver, Colorado 80202
Phone: (303) 266-0561

New York—Metropolitan
Great American Insurance Company
5 Dakota Drive
Lake Success, New York 11040
Phone: (516) 775-6900

New York—Upstate
American Empire Insurance Company
215 Washington Street
Watertown, New York 13601
Phone: (315) 788-5000

North Carolina
Kemper Insurance
1229 Greenwood Cliff
Charlotte, North Carolina 28204
Phone: (704) 372-7150

North Dakota
The St. Paul Fire & Marine Insurance Company
Hamm Building
408 St. Peter Street
St. Paul, Minnesota 55102
Phone: (612) 227-9581

Ohio—Northern
Commercial Union Insurance Company
One Erieview Plaza
Cleveland, Ohio 44114
Phone: (216) 522-1060

Ohio—Southern
CNA Insurance
111 East 4th Street
Cincinnati, Ohio 45202
Phone: (513) 621-7107

Oklahoma
Republic-Vanguard Insurance Group
P. O. Box 3000
Dallas, Texas 75221
Phone: (214) 528-0301

Oregon
State Farm Fire & Casualty Company
4600 25th Avenue, N.E.
Salem, Oregon 97303
Phone: (503) 393-0101

Pennsylvania—Eastern
General Accident F & L Assurance Corp., Ltd.
414 Walnut Street
Philadelphia, Pennsylvania 19106
Phone: (215) 238-5000

Pennsylvania—Western
Zurich-American Group
1665 Washington Road
Pittsburgh, Pennsylvania 15228
Phone: (412) 833-8000

Puerto Rico
Puerto Rico Inspection and Rating Bureau
P. O. Box 1333
San Juan, Puerto Rico 00902
Phone: (809) 723-1830

Rhode Island
American Universal Insurance Company
144 Wayland Avenue
Providence, Rhode Island 02904
Phone: (401) 351-4600

South Carolina
Maryland Casualty Company
P. O. Box 1849
Charlotte, North Carolina 28201
Phone: (704) 525-8330

South Dakota
The St. Paul Fire & Marine Insurance Co.
Hamm Building
408 St. Peter Street
St. Paul, Minnesota 55102
Phone: (612) 227-9581

Tennessee
CNA Insurance
110 - 21st Avenue South
Nashville, Tennessee 37203
Phone: (615) 327-0061

Texas
The Home Insurance Company
2100 Travis Street
Houston, Texas 77002
Phone: (713) 225-0931

Utah
CNA Insurance
518 Seventeenth Street
Denver, Colorado 80202
Phone: (303) 266-0561

Vermont
Commercial Union Insurance Company
1 Beacon Street
Boston, Massachusetts 02108
Phone: (617) 725-6358

Virginia

Insurance Company of North America
5225 Wisconsin Avenue, N. W.
Washington, D. C. 20015
Phone: (202) 244-2000

Washington

Fireman's Fund American Insurance Companies
1000 Plaza 600 Building
6th & Stewart
Seattle, Washington 98101
Phone: (206) 587-3200

West Virginia

U. S. Fidelity & Guaranty Company
3324 McCorkle Avenue, S. E.
Charleston, West Virginia 25304
Phone: (304) 344-1692

Wisconsin

Aetna Insurance Company
5735 East River Road
Chicago, Illinois 60631
Phone: (312) 693-2500

Wyoming

CNA Insurance
518 Seventeenth Street
Denver, Colorado 80202
Phone: (303) 266-0561