

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 7463 ]  
[ September 19, 1974 ]

AMENDMENT TO REGULATION H

Loans by State Member Banks in Identified Flood Hazard Areas

*To All State Member Banks, and Others Concerned,  
in the Second Federal Reserve District:*

Following is the text of a statement issued September 16 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today amended a regulatory provision that prohibits State member banks from lending on improved real estate or a mobile home in flood-prone areas unless the property is covered by flood insurance.

The amendment requires State member banks—as a condition of making or renewing a loan secured by affected property—to provide a loan customer with written notice that the property is in a flood hazard area. This amendment implements a statutory change adopted August 22, 1974, to the Housing and Urban Development Act of 1968. The original regulatory provision was issued by the Board on February 6, 1974.

Similar rules are being issued by other Federal regulatory agencies for institutions they supervise.

The Board of Governors has informed us that, with respect to the required notice under the amendment, such notice will be required as to all affected loans (i.e., loans in areas having special flood hazards where flood hazard boundary maps or flood insurance rate maps have been issued by the Department of Housing and Urban Development) made on and after September 22, 1974, the effective date of the amendment. However, the amendment will not be applicable to new loans or increases, extensions, or renewals of existing loans scheduled for closing or disbursement prior to October 3, 1974 where valid, enforceable, and binding commitments for such new loans or increases, extensions, or renewals of existing loans were entered into prior to September 22, 1974. A valid, enforceable, and binding commitment is a commitment which is unconditional and enforceable by the borrower against the lender. In this regard, a commitment embodying only standard conditions (e.g., conditions governing duration of commitment, proof of title, interest rate, or disbursement of funds at various stages of construction) will be deemed unconditional.

You will also note that the amendment provides that “satisfactory written assurances” may be obtained from the seller that he has notified the borrower of the flood hazard. Such written assurances from the seller should contain some indication of the method used by him to determine whether or not the property is in a designated flood hazard area. In this regard, the seller’s duty should be considered no less than the duty of verification placed upon the bank itself.

Enclosed is a copy of the amendment to Regulation H; additional copies will be furnished upon request.

ALFRED HAYES,  
*President.*

Board of Governors of the Federal Reserve System

MEMBERSHIP OF STATE BANKING INSTITUTIONS  
IN THE FEDERAL RESERVE SYSTEM

AMENDMENT TO REGULATION H

Effective September 22, 1974, §208.8(e) is amended by adding a new subparagraph (4) thereto, to read as follows:

SECTION 208.8—BANKING PRACTICES

\* \* \*

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

\* \* \*

(4) Notice to borrower of special flood hazard. After September 21, 1974, each State member bank shall as a condition of making, increasing, extending, or renewing 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, mail or deliver as soon as feasible but not less than 10 days in advance of closing of the transaction (or not later than the bank's commitment, if any, if the period between commitment and closing is less than 10 days) a written notice to the borrower that the property securing the loan is in an area so identified. In lieu of the notification required in this section, a bank may obtain satisfactory written assurances from a seller or lessor that such seller or lessor has notified the borrower, prior to the execution of any agreement for sale or lease, that the property securing the loan is in an area so identified. A bank shall require the borrower, prior to closing, to provide the bank with a written acknowledgment that the borrower realizes that the property, securing the loan or upon which a mobile home is or will be located, is in a special flood hazard area.

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