

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 7840 ]  
March 17, 1976

**AMENDMENT TO REGULATION H**  
**Loans by State Member Banks in Flood-Prone Areas**

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

The Board of Governors of the Federal Reserve System has amended its Regulation H, "Membership of State Banking Institutions in the Federal Reserve System," regarding the making of certain real estate loans by State member banks in identified flood hazard areas of communities that are not participating in the National Flood Insurance Program. The amendment, originally adopted to exempt certain loans made prior to January 1, 1976, now provides for the exemption of such loans made prior to March 1, 1976.

Printed below are the texts of statements made by the Board of Governors—the first, when the original amendment was submitted for publication in the *Federal Register*, and the second, when the later change in the grace period was adopted.

The Board of Governors of the Federal Reserve System is amending Part 208 by adding a new sentence to § 208.8(e) (5), in order to implement the grace period provided in section 303 of the Emergency Housing Act of 1975 (Pub. L. No. 94-50) concerning certain real estate loans made by State member banks in identified flood hazard areas of communities that are not participating in the National Flood Insurance Program.

Section 303 amends section 202(b) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 2001 *et. seq.*) to permit until January 1, 1976, or one year from the date of a community's notification that it has flood prone areas, whichever is later, the making of certain mortgage loans and similar loans by federally chartered, supervised, or insured lending institutions for the purchase of previously occupied residential dwellings located in the identified flood hazard areas of communities that are not participating in the National Flood Insurance Program. A loan secured by improved real estate in an identified flood hazard area which is not made to finance the acquisition of a previously occupied residential dwelling remains subject to the prohibitions against the extension of such loans in communities which are not participating in the National Flood Insurance Program, as originally prescribed by sections 201(d) and 202(b) of the Flood Disaster Protection Act of 1973. These sections provide a deadline for community participation of July 1, 1975, or one year from notification to a community by the Secretary of Housing and Urban Development that it is a community containing special flood hazards, whichever is later. Thus, if a community was notified on February 1, 1975, that it contains flood prone areas, it would have until February 1, 1976, to commence participation in the National Flood Insurance Program and a real estate loan made until the latter date would not be required to be accompanied by flood insurance, irrespective of whether the loan concerned was made to finance the acquisition of a previously occupied residential dwelling. On the other hand, a community notified on September 1, 1974, would be required under the original deadline to begin participation in the National Flood Insurance Program by September 1, 1975; but, under the amendment to the Flood Disaster Protection Act, loans secured by improved real estate located within special flood hazard areas of a community and made for the purpose of acquiring previously occupied residential dwellings would be permitted until January 1, 1976, even if the community does not participate in the program until such date. Also, it should be noted that all forms of federally related mortgage financial assistance, such as FHA and VA loans, fall under the provisions of section 202(a) of the Flood Disaster Protection Act with respect to community participation, and hence are not included within the scope of this amendment to Regulation H.

(OVER)



The Board is of the opinion that the term "previously occupied residential dwelling," as included in Regulation H, should be considered as any dwelling or dwelling unit intended for and used primarily for residential purposes, including an apartment occupied by a tenant or a lessee, a single family residence, a condominium, and a cooperative residence. Additionally, the Board is of the opinion that at the time a loan concerning such property is made, the dwelling or dwelling unit must either be then occupied as a residence or, if presently vacant, have been occupied as a residence by the owner or a tenant.

With regard to when a loan is "made" for the purposes of these provisions of Regulation H, the Board is of the view that the making of a loan occurs on the date that a member bank issues a bona fide unconditional commitment to make the loan in question. A commitment will be deemed unconditional if only standard conditions are contained therein. For example, where the deadline for community participation is January 1, 1976, and a commitment is issued on December 1, 1975, with closing and disbursement scheduled for January 15, 1976, the funds may be disbursed on January 15 even if the community is not participating in the National Flood Insurance Program.

The following amendment is intended to conform the provisions of existing regulations to the amendment to the Flood Disaster Protection Act of 1973 effected by the Emergency Housing Act of 1975.

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The Board of Governors of the Federal Reserve System is amending Part 208 by revising section 208.8(e)(5) in order to implement the grace period provided in Pub. L. No. 94-198 (Dec. 31, 1975), concerning certain real estate loans made by State member banks in identified flood hazard areas of communities that are not participating in the National Flood Insurance Program.

Pub. L. No. 94-198 amends section 202(b) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 2001 *et. seq.*) to permit until March 1, 1976 (or one year from the date of a community's notification that it has flood-prone areas, whichever is later), the making of certain mortgage loans and similar loans by federally chartered, supervised, or insured lending institutions for the purchase of previously occupied residential dwellings located in the identified flood hazard areas of communities that are not participating in the National Flood Insurance Program. The deadline contained in section 202(b) applicable to such loans was previously extended from July 1, 1975, until January 1, 1976 (section 303 of the Emergency Housing Act of 1975, Pub. L. No. 94-50). The following amendment is intended to conform the provisions of existing Board regulations, which reflect the January 1, 1976 deadline, to the additional extension contained in Pub. L. No. 94-198.

Enclosed is a copy of the amendment. Questions thereon may be directed to our Bank Regulations Department. Additional copies of the enclosure will be furnished upon request.

PAUL A. VOLCKER,  
*President.*

Board of Governors of the Federal Reserve System

MEMBERSHIP OF STATE BANKING INSTITUTIONS  
IN THE FEDERAL RESERVE SYSTEM

AMENDMENT TO REGULATION H

Effective February 26, 1976, subparagraph (5) of paragraph (e) of section 208.8 is amended to read as follows:

SECTION 208.8—BANKING PRACTICES

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

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(5) On and after July 1, 1975, or after one year following the date of official notification to the chief executive officer of a community that the community is one containing special flood hazard areas, whichever is later, 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 such a special flood hazard area so identified by the Secretary of Housing and Urban Development unless the community in which such area is situated is then participating in the national flood insurance program; *Provided*, that the prohibition contained in this section shall not apply to any loan made prior to March 1, 1976, if the loan is made to finance the acquisition of a previously occupied residential dwelling.

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