

**FEDERAL RESERVE BANK  
OF NEW YORK**

ATGR No 8433  
September 20, 1978

**PROOF OF PURCHASE OF FLOOD INSURANCE UNDER THE  
NATIONAL FLOOD INSURANCE PROGRAM**

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

The Federal Insurance Administration of the Department of Housing and Urban Development has issued guidelines, effective February 17, 1978, regarding the "Mandatory Purchase of Flood Insurance" for compliance by banks with section 102(b) of the Flood Disaster Protection Act of 1973 (43 *Federal Register* 7142 (1978)). These guidelines state:

At the time of the loan closing, . . . unless the lender or the supervisory instrumentality rules otherwise, a copy of the flood insurance policy application, indicating that the full premium has been paid is sufficient evidence of the purchase of flood insurance, since there is normally a 15-day waiting period before the policy is actually issued and the coverage becomes effective. However, once the policy has been issued, a copy of the policy should be obtained and maintained by the lender (43 *Federal Register* 7146 (1978)).

In a letter dated June 14, 1978, the Federal Insurance Administrator stated that a copy of a mortgagor's check issued in payment of the flood insurance policy premium or an agent's certification or letter that a mortgagor has purchased the requisite flood insurance would also be sufficient proof of purchase of flood insurance.

In an effort to expedite the closing of loans secured by improved real estate located or to be located in a special flood-hazardous area of a community that participates in the National Flood Insurance Program, any of these documents relating to proof of purchase of flood insurance, and any other such documents accepted by a State member bank in good faith, will be regarded as acceptable evidence of the State member banks' compliance with section 208.8(e)(1) of Regulation H. However, it should be noted that normally the standard flood insurance policy does not provide effective coverage before 15 days from the date that the application for flood insurance is submitted together with the premium for the first year of coverage. Therefore, a State member bank may decide to delay a loan closing for 15 days from the date of a borrower's execution of a flood insurance policy application in order to ensure that there is no interim period during which improved real property (located or to be located in a flood-hazardous area in a participating community) that secures a loan is not covered by flood insurance.

(Over)

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A completed HUD Form 1506 "Certification of Proof of Purchase of Flood Insurance" (a sample of the form is enclosed with this circular for your information), executed by an insurance agency and tendered at a real estate closing, will be sufficient proof of purchase of flood insurance for the purposes of section 208.8(e)(1) of Regulation H.

Any questions regarding this matter may be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5919).

PAUL A. VOLCKER,  
*President.*

## CERTIFICATION OF PROOF OF PURCHASE OF FLOOD INSURANCE

To: \_\_\_\_\_  
(Lending Institution) (Federal Agency)

Date: \_\_\_\_\_

Re: (Loan) (Transaction) No.: \_\_\_\_\_

(Grantee) (Borrower) (Insured): \_\_\_\_\_

This will certify that, as of this date, a Flood Insurance Policy, with Mortgage Clause payable to your institution, has been applied for and the premium for one year has been remitted to the servicing agent of the National Flood Insurance Program or (other insuring carrier). The policy will be effective no later than 15 days from the date of execution of the application and is applicable to the (describe building) located at:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Effective Date: \_\_\_\_\_ Annual Premium: \$ \_\_\_\_\_

Policy Amount Applied For: \$ \_\_\_\_\_ structure

\$ \_\_\_\_\_ contents

Address of Agency: \_\_\_\_\_

Agency: \_\_\_\_\_

By: \_\_\_\_\_  
(Authorized Signature)