

Flood Insurance

Background

The Board's Regulation H (Membership of State Banking Institutions in the Federal Reserve System) implements the flood insurance provisions of the National Flood Insurance Act of 1968 for state member banks. This legislation made federally subsidized flood insurance available to owners of improved real estate or mobile homes located in a special flood hazard area if their community participates in the National Flood Insurance Program. The Flood Disaster Protection Act of 1973 directed the Board and other federal financial regulatory agencies to adopt rules requiring regulated lenders to require flood insurance on improved real estate or mobile homes serving as collateral for a loan if the property was located in, or was to be located in, a special flood hazard area in a participating community.¹

The National Flood Insurance Reform Act of 1994 (Reform Act; Title V of the Riegle Community Development and Regulatory Improvement Act of 1994) comprehensively revised the federal flood insurance statutes.² The reforms were aimed at increasing compliance with flood insurance requirements, increasing participation in the National Flood Insurance Program (and thereby providing additional income to the National Flood Insurance Fund), and decreasing the financial burden of flooding on the federal government, taxpayers, and flood victims.³

The Reform Act required the federal financial regulatory agencies to revise their existing flood insurance regulations and brought the Farm Credit Administration under the act. Because none of the flood-related laws provide rule-writing authority solely to one financial regulator, in August 1996 the agencies jointly issued a final rule (61 FR 45684) that incorporated the changes to the agencies' flood regulations.

The Reform Act also applied flood insurance requirements directly to the loans purchased by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) and to agencies that provide government insurance or guarantees, such as the Small Business Administration, the Federal

Housing Administration, and the Department of Veterans Affairs.

The objectives of the Flood Disaster Protection Act (FDPA) include

- Providing flood insurance to owners of improved real estate located in special flood hazard areas (SFHAs) of communities participating in the National Flood Insurance Program (NFIP)
- Requiring communities to enact measures designed to reduce or avoid future flood losses as a condition for making federally subsidized flood insurance available
- Requiring federal financial regulatory agencies to adopt regulations prohibiting their regulated lending institutions from making, increasing, extending, or renewing a loan secured by improved real estate or a mobile home located, or to be located, in an SFHA of a community participating in the NFIP unless the property securing the loan is covered by flood insurance
- Prohibiting federal agencies, such as the Federal Housing Administration, the Small Business Administration, and the Department of Veterans Affairs, from subsidizing, insuring, or guaranteeing any loan if the property securing the loan is in an SFHA of a community not participating in the NFIP

The National Flood Insurance Program is administered by the Federal Emergency Management Agency (FEMA).⁴ Its responsibilities include

- Identifying communities with SFHAs
- Issuing flood-boundary and flood-rate maps for flood-prone areas
- Making flood insurance available through the NFIP "Write Your Own" program, which enables the public to purchase NFIP coverage from private companies that have entered into agreements with the Federal Insurance Administration
- Assisting communities in adopting floodplain-management requirements
- Administering the insurance program (Licensed property and casualty insurance agents and brokers provide the primary connection between the NFIP and the insured party. Licensed agents sell flood insurance, complete the insured party's application form, report claims, and follow up with the insured for renewals of the policies.)

1. The two acts are codified at 42 USC 4001–4129. The regulatory agencies are the OCC, FDIC, OTS, NCUA, and the Federal Reserve.

2. Pub. L. 103-325, tit. V, 108 Stat. 2160, 2255–87 (September 23, 1994).

3. H.R. Conf. Rep. No. 652, 103d Cong., 2d Sess. 195 (1994) (Conference Report).

4. FEMA regulations implementing the NFIP appear at 44 CFR 59–77.

Requirements for Lending Institutions

Basic Requirements

A lending institution must require flood insurance for the term of a loan when all three of the following factors are present:

- The institution makes, increases, extends, or renews a loan (commercial or consumer) secured by improved real estate or a mobile home that is affixed to a permanent foundation,
- The loan is secured by property located in a special flood hazard area as identified by FEMA, and
- The community participates in the NFIP. (Information on whether a community participates in the NFIP can be obtained from FEMA's web site, www.fema.gov.)

In the case of mobile homes, the criteria for coverage relate to whether the mobile home is affixed to a permanent foundation. An institution does not have to obtain a security interest in the underlying real estate in order for the loan to be covered.

Institutions are not prohibited from making, increasing, extending, or renewing a conventional loan in an SFHA if the community in which the security property is located has been mapped by FEMA but does not participate in the NFIP. However, federal flood insurance is not available in these communities. Moreover, institutions may not make government-guaranteed or government-insured loans if the community has been mapped by FEMA and does not participate in the NFIP.

Flood insurance requirements also apply to loans where a security interest in improved real property is taken only "out of an abundance of caution." Section 102(b)(1) of the FDPA, as amended by the Reform Act, provides that a regulated lending institution may not make, increase, extend, or renew any loan secured by improved real property that is located in a special flood hazard area unless the improved real property is covered by the minimum amount of flood insurance required by statute.⁵

Special Situation—Table-Funded Loans

In the typical table-funding situation, the party providing the funding reviews and approves the credit standing of the borrower and issues a commitment to the broker or dealer to purchase the loan at the time the loan is originated. Frequently, all loan documentation and other statutorily mandated notices are supplied by the party providing the funding, rather than the broker or dealer. The

funding party provides the original funding "at the table" when the broker or dealer and the borrower close the loan. Concurrent with the loan closing, the funding party acquires the loan from the broker or dealer. While the transaction is, in substance, a loan made by the funding party, it is structured as a loan purchase.

A typical table-funded transaction should be considered a loan that is made, rather than purchased, by the entity that actually supplies the funds. Regulated institutions that provide table funding to close loans originated by a mortgage broker or mobile home dealer are considered to be "making" a loan for purposes of the flood insurance requirements.

Treating table-funded loans as loans made by the funding entity need not result in duplication of flood-hazard determinations and borrower notices. The funding entity may delegate to the broker or dealer originating the transaction the responsibility for fulfilling the flood insurance requirements or may otherwise divide the responsibilities with the broker or dealer, as is currently done with respect to the requirements under the Real Estate Settlement Procedures Act.

Exemptions from the Purchase Requirement

The flood insurance purchase requirement does not apply to the following two loan situations:

- Loans on state-owned property covered under an adequate policy of self-insurance satisfactory to the director of FEMA (The director will periodically publish a list of state property falling within this exemption.)
- Loans having (1) an original principal balance of \$5,000 or less and (2) an original repayment term of one year or less

A lending institution may not exempt a loan from flood coverage on the basis of its own interpretation of the elevations at which floods may occur. Only FEMA has the authority to revise or amend flood maps and to make flood-level determinations that exempt a loan from the required purchase of flood insurance. As part of its duties, FEMA provides official elevation determinations, makes map revisions or amendments, and issues formal Letters of Map Amendments (LOMAs) and Letters of Map Revisions (LOMRs).

Amount of Flood Insurance Required

The amount of flood insurance required must be at least equal to the lesser of (1) the outstanding principal balance of the loan, (2) the maximum amount available under the NFIP, or (3) the total

5. See 42 USC 4012a(b)(1).

value of the secured property (land and improvements) minus the total value of the land.

Flood insurance is not available, and thus is not required, for the value of any land that serves as security for a loan. As a result, when determining the amount of flood insurance required, an institution should deduct the value of the land from the total value of the secured property (land plus improved real property or mobile home) to estimate an amount for flood coverage. Unless a structure (improved real property or mobile home) located on the land is specifically excluded from serving as security for the loan, flood insurance should be required on all insurable structures located on the secured property, including cases in which the value of the land alone would more than adequately cover the loan amount. In such cases, the lender does not have the option of exempting the borrower from the flood insurance purchase requirements for insurable structures located on the secured property.

Since March 1995, the maximum amounts of coverage for flood policies have been

- \$250,000 for residential property structures and \$100,000 for contents
- \$500,000 for nonresidential structures and \$500,000 for contents

Waiting Period

Flood insurance policies that are not issued in conjunction with a loan origination, refinance, modification, or forced placement have a thirty-day waiting period. The congressional intent behind this waiting period was to prevent the purchase of flood insurance (and any direct loss to the U.S. government, which backs the insurance) in times of imminent loss.

There is no waiting period for policies issued in conjunction with a loan to purchase, refinance, or modify an existing mortgage. Nor is there a waiting period for second mortgages, home equity loans, “forced placements” (see later section), or recommendations by the insurer to increase insurance amounts at renewal.⁶

Initial purchases of flood insurance made in connection with a map revision or an update to floodplain areas of flood zones are also exempted from a waiting period. In these cases, however, the flood insurance purchase must occur within one year of FEMA’s publication of the notice of map revision or updating.

Special Situations—Second Mortgages and Home Equity Loans

Both second mortgages and home equity loans come within the purchase provisions of the FDPA. As only one NFIP policy may be issued for a building, an institution should not request a new flood insurance policy if one already exists. Instead, the institution should have the borrower contact the insurance agent

- To inform the agent of the intention to obtain a loan involving a subordinate lien
- To obtain verification of the existence of a flood insurance policy
- To check whether the amount of insurance covers all loan amounts

After obtaining this information, the insurance agent should increase the amount of coverage, if necessary, and issue an endorsement that identifies the institution as a lien holder.

For loans with approved lines of credit to be used in the future, calculating the amount of insurance for the loan may be difficult, as the borrower will be drawing down differing amounts on the credit line at different times. In those instances in which there is no policy on the collateral, the borrower must, at a minimum, obtain a policy as a requirement for drawing on the line. As a matter of administrative convenience to ensure compliance with the requirements, an institution may take the following approaches:

- Review its records periodically so that as draws are made against the line or repayments are made to the account, the appropriate amount of insurance coverage is maintained
- Upon origination, require the purchase of flood insurance for the total amount of the loan, the maximum amount of flood insurance coverage available, or the value of the secured property minus the land, whichever is less

Special Situation—Condominium Policies

Condominium associations are able to manage their flood insurance needs and meet their by-law requirements without relying on the actions of the unit owners under a special type of flood insurance policy issued by FEMA—a Residential Condominium Building Association Policy (RCBAP).

A unit owner’s mortgage lender has no direct interest in an RCBAP and should not be named on the policy. However, a unit owner should provide its mortgage lender evidence of the RCBAP by supplying a copy of the declarations page documenting the specific dollar amount of coverage. If

6. FEMA Policy Issuance 5-98, effective October 1, 1998.

the unit owner's mortgage lender determines that the coverage purchased under the RCBAP is insufficient to meet the mandatory purchase requirements, it should request that the borrower ask the association to carry adequate limits or should require the borrower to purchase a separate policy.

The maximum amount of building coverage that may be purchased on a high-rise or low-rise condominium under the RCBAP is the replacement cost value of the building or the total number of units in the condominium building multiplied by \$250,000, whichever is less. The maximum allowable contents coverage is the actual cash value of the commonly owned contents up to a maximum of \$100,000 per building.

Escrow Requirements

An institution must require the escrow of flood insurance premiums for loans secured by "residential improved real estate" if it requires the escrow of other funds to cover other charges associated with the loan, such as taxes, premiums for hazard or fire insurance, or other fees. Depending on the type of loan, the escrow account for flood insurance premiums may be subject to section 10 of the Real Estate Settlement Procedures Act (RESPA), (12 USC 2609). This section generally limits the amount that may be maintained in escrow accounts for consumer mortgage loans and requires notices containing escrow account statements for those accounts. RESPA escrow requirements apply to "federally related mortgage loans," a category of loans that is narrower in scope than the Reform Act's "residential improved real estate." An escrow account for "residential improved real estate" that is not also a "federally related mortgage loan" must comply with the escrow requirements of the Reform Act but does not need to comply with section 10 of RESPA.

The escrow provisions are designed to improve compliance with flood insurance requirements by ensuring that homeowners located in special flood hazard areas obtain and maintain flood insurance for the life of the loan. However, the Reform Act itself does not restrict the flood insurance escrow requirement to consumer mortgage loans. The determinative factor in the coverage of the escrow requirement is not the purpose of the loan, but the purpose of the building—whether it is used primarily for residential purposes or for other purposes. Because the Reform Act defines "residential improved real estate" as "improved real estate for which the improvement is a residential building," the escrow provisions cover, for example, multi-family properties containing five or more residential units.

Types of Escrow Accounts Covered

The escrow requirement does not apply if the institution does not require the maintenance of other escrows or the establishment of an escrow account in connection with the particular type of loan, even if permitted by the loan documents. In determining whether an escrow account arrangement is voluntary, it is appropriate to look to the loan policies and practices of the institution and the contractual agreement underlying the loan. If the loan documentation permits the institution to require an escrow account and its loan policies normally would require an escrow account for a loan with particular characteristics, an escrow account in connection with such a loan generally would not be considered to be voluntary.

Voluntary payments for credit life insurance do not constitute escrows for purposes of RESPA.⁷ As a result, payments for credit life insurance and similar types of contracts should not trigger the escrow of flood insurance premiums.

Standard Flood Hazard Determination Form

Whenever an institution makes, increases, extends, or renews any loan secured by improved real property or a mobile home, it must use the Standard Flood Hazard Determination Form (SFHDF) developed by FEMA. This form, which may be used in printed or electronic format, helps lenders determine whether the improved real property or mobile home securing the loan is located in a special flood hazard area.

The institution must retain a copy of the completed form, in either hard copy or electronic format, for the period of time it owns the loan. If it uses an electronic format, the institution may alter the format and need not follow the layout of the SFHDF exactly. However, the institution must use the fields and elements listed on the form. A copy of the form is available on FEMA's web site (www.fema.gov).

Reliance on Prior Determination

When determining whether flood insurance is required, an institution may consider the conclusions from a previous flood hazard area determination if both of the following conditions are met:

- The previous determination is not more than seven years old.
- The basis for that determination was recorded on the SFHDF mandated by the Reform Act.

7. See 60 FR 24733 (May 9, 1995) (revising 24 CFR 3500.17).

An institution may not rely on a previous determination in two situations:

- If FEMA’s map revisions or updates show that the security property is now located in an SFHA
- If the lender contacts FEMA and learns that map revisions or updates affecting the security property have been made since the date of the previous determination

An institution may not rely on a previous determination set forth on an SFHDF when it makes a loan—only when it increases, extends, renews, or purchases a loan. Subsequent transactions by the same institution with respect to the same property, such as assumptions, refinancings, and second-lien loans, are to be treated as loan renewals. In those limited circumstances, a new determination is not required, assuming that the other requirements are met.

Forced-Placement Requirements

Although an institution is not required to monitor for map changes, if at any time during the life of the loan the institution or its servicer determines that flood insurance is required or is deficient, the institution must take steps to “force place” the required insurance.

Under the Reform Act, an institution, or a servicer acting on its behalf, must purchase, or force-place, flood insurance for the borrower if the institution or the servicer determines that the security property is not covered by any insurance or by an adequate amount of flood insurance. Before purchasing flood insurance in the appropriate amount on the borrower’s behalf, however, the institution must first provide the borrower with a notice of the deficiency and the opportunity to obtain the correct amount of insurance. If the borrower fails to obtain the insurance within forty-five days of the date of the notice, the institution may force-place the insurance.

As long as an institution owns a loan subject to flood insurance requirements, the institution or its servicer continues to be responsible for ensuring that flood insurance is maintained as required. If a borrower allows a required policy to lapse, the institution or its servicer is required to commence forced-placement procedures.⁸

Forced placement is not a consideration at the time an institution makes, increases, extends, or renews a loan, as a lender is obligated to require that flood insurance be in place prior to closing. Forced-placement authority is designed to be used

when an institution or its servicer, during the course of the loan, determines that flood insurance coverage on the security property is required and is either deficient or missing. There is no required specific form of notice to borrowers for use in connection with the forced-placement procedures. An institution or its servicer may choose to send the notice directly or may use the insurance company that issues the forced-placement policy to send the notice.

An optional program—the Mortgage Portfolio Protection Program—has been developed by FEMA to assist lenders with the placement of insurance when only limited underwriting information is available. The rates that may be charged for force-placed policies are considerably higher than the rates available for voluntary policies because of the absence of underwriting data.

Determination Fees

An institution or its servicer may charge a reasonable fee to the borrower for the costs of making a flood-hazard determination under the following circumstances:

- The determination is triggered by a borrower-initiated transaction (that is, the lender is making, increasing, extending, or renewing a loan at the borrower’s request).
- The determination reflects FEMA’s revision of maps.
- The determination results in the purchase of flood insurance by the lender under the forced-placement provision.

The authority to charge a borrower a reasonable fee for a flood-hazard determination extends to a fee for life-of-loan monitoring by either the institution, its servicer, or a third party, such as a flood-hazard-determination company.

Truth in Lending Act Issues

The official staff commentary to Regulation Z states that fees associated with real estate mortgage transactions are excluded from the finance charge if they are imposed solely in connection with the initial decision to grant credit.⁹ Thus, the fee for conducting an initial flood-hazard determination is excluded from the finance charge. However, the exclusion does not apply to fees for services to be performed periodically during the term of the loan, regardless of when the fee is collected. Thus, a fee for one or more determinations of the current flood insurance requirements during the loan term is a

8. The insurance carrier should notify the institution or its servicer, along with the borrower, when the insurance contract is due for renewal. The insurance carrier also notifies these parties if it has not received the policy renewal.

9. See 12 CFR 226.4(c)(7)-3 of the official staff commentary.

finance charge, regardless of whether the fee is imposed at closing or when the service is performed. If a creditor is uncertain about what portion of a fee to be paid at consummation or loan closing is related to the initial decision to grant credit, the entire fee may be treated as a finance charge.

Notice Requirements

When the security property is or will be located in a SFHA, the institution must provide a written notice to the borrower and the servicer. The notice must be provided whether the security property is located in a participating or a nonparticipating community. The notice must also be provided even if the lender is relying on a prior determination.

The written notice must contain the following information:

- A warning that the building or mobile home is or will be located in a SFHA
- A description of the flood insurance purchase requirements contained in section 102(b) of the FDPA, as amended
- A statement as to whether flood insurance coverage is available under the NFIP and may also be available from private insurers
- A statement as to whether federal disaster relief assistance may be available in the event of damage to the building or mobile home caused by flooding in a federally declared disaster

An institution may use the sample form contained in appendix A to section 208.25 of Regulation H to comply with the notice requirements. Lenders are free to add information to the form, personalize the form, or change its format if they wish. However, to ensure compliance with the notice requirements, a lender-revised notice must provide the borrower, at a minimum, with the information required by the regulation.

Reliance on Assurances by the Seller or Lessor

An institution may rely on assurances from a seller or lessor that the seller or lessor has provided the requisite notice to the purchaser or lessee. This alternate form of notice might be used in a situation in which the lender is providing financing through a developer for the purchase of condominium units by multiple borrowers. Because the lender may not deal directly with individual condominium unit purchasers, the lender need not provide notice to each purchaser but may instead rely on the developer or seller's assurances that the developer or seller has given the required notice. The same may be true for a cooperative conversion, in which the sponsor of the conversion may be providing

the required notice to the purchasers of the cooperative shares. A purchaser of shares in a cooperative may be considered a "lessee" rather than a purchaser with respect to the underlying real property.

Timing of Notice

Delivery of notice must take place within a "reasonable time" before completion of the transaction. What constitutes "reasonable" notice will necessarily vary according to the circumstances of particular transactions. In any case, a borrower should receive notice in time to ensure that he or she has the opportunity to

- Become aware of the borrower's responsibilities under the NFIP and
- Purchase flood insurance before completion of the loan transaction, if applicable.

The Board (and the other agencies) generally continues to regard ten days as a "reasonable" time interval.

Notice to the Servicer

Loan servicers must also be notified of loans secured by properties located in special flood hazard areas. In many cases, however, the servicer's identity is not known until well after the closing; consequently, notification to the servicer in advance of the closing would not be possible or would serve no purpose. As a result, notice to the servicer should be given as promptly as practicable after the institution provides notice to the borrower, and no later than at the time the lender transmits to the servicer other loan data concerning hazard insurance and taxes. The delivery of a copy of the borrower's notice to the servicer will suffice as notice to the servicer.

Notice to the Director of FEMA

An institution must notify the director of FEMA, or the director's designee, of the identity of the loan servicer and of any change in the servicer. FEMA has designated the insurance carrier as its designee to receive notice of the servicer's identity and of any change therein. Notice of the identity of the servicer enables FEMA's designee to provide notice to the servicer forty-five days before expiration of a flood insurance contract.

An institution must also notify the director of FEMA (or its designee) within sixty days of the effective date of the transfer of servicing. The notice may be given electronically or by other means acceptable to FEMA's designee. Although no standard form of notice is required, the informa-

tion should be sufficient to enable the director, or the director's designee, to identify the security property and the loan as well as the new servicer and its address.

Recordkeeping Requirements

An institution must retain

- Copies of completed SFHD forms, in either hard copy or electronic format, for as long as the institution owns the loan
- Records of the receipt of the notice to the borrower and the servicer for as long as the institution owns the loan

No particular form is required for the record of receipt; however, the record should contain a statement from the borrower indicating that the borrower has received the notification. Examples of records of receipt include

- A borrower's signed acknowledgment on a copy of the notice
- A borrower-initialed list of documents and disclosures that the lender provided the borrower
- A scanned electronic image of a receipt or other document signed by the borrower

An institution may keep the record of receipt provided by the borrower and the servicer in the

form that best suits the institution's business. Institutions that retain these records electronically must be able to retrieve them within a reasonable time.

Penalties and Liabilities

Civil money penalties may be imposed for violations of the following:

- Flood insurance purchase requirements
- Escrow requirements
- Notice requirements
- Forced-placement requirements

If an institution is found to have a pattern or practice of committing violations, the agencies must assess civil penalties in an amount not to exceed \$385 per violation, with a total amount against any one regulated institution not to exceed \$125,000 in any calendar year. (These amounts are periodically adjusted for inflation. The most recent adjustments occurred in 2004.) Penalties are paid into the National Flood Mitigation Fund. Liability for violations may not be transferred to a subsequent purchaser of a loan. Liability for penalties expires four years from the time of the occurrence of the violation.

[Riegle Community Development and Regulatory Improvement Act of 1994]

TITLE V--NATIONAL FLOOD INSURANCE REFORM

National Flood Insurance Reform Act of 1994.

SEC. 501. SHORT TITLE.

This title may be cited as the “National Flood Insurance Reform Act of 1994”.

42 U.S.C. 4001 note.

Subtitle A--Definitions

SEC. 511. FLOOD DISASTER PROTECTION ACT OF 1973.

(a) IN GENERAL.-- Section 3(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4003(a)) is amended--

(1) by striking paragraph (5) and inserting the following new paragraph:

“(5) ‘Federal entity for lending regulation’ means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Office of Thrift Supervision, the National Credit Union Administration, and the Farm Credit Administration, and with respect to a particular regulated lending institution means the entity primarily responsible for the supervision of the institution;”;

(2) in paragraph (6), by striking the period at the end and inserting a semicolon; and

(3) by inserting after paragraph (6) the following new paragraphs:

“(7) ‘Federal agency lender’ means a Federal agency that makes direct loans secured by improved real estate or a mobile home, to the extent such agency acts in such capacity;

“(8) the term ‘improved real estate’ means real estate upon which a building is located;

“(9) ‘lender’ means a regulated lending institution or Federal agency lender;

“(10) ‘regulated lending institution’ means any bank, savings and loan association, credit union, farm credit bank, Federal land bank association, production credit association, or similar institution subject to the supervision of a Federal entity for lending regulation; and

“(11) ‘servicer’ means the person responsible for receiving any scheduled periodic payments from a borrower pursuant to the terms of a loan, including amounts for taxes, insurance premiums, and other charges with respect to the property securing the loan, and making the payments of principal and interest and such other payments with respect to the amounts received from the borrower as may be required pursuant to the terms of the loan.”.

Regulations.

(b) CONFORMING AMENDMENT.-- Section 202(b) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106(b)) is amended by striking "Federal instrumentality described in such section shall by regulation require the institutions" and inserting "Federal entity for lending regulation shall by regulation require the regulated lending institutions described in such section, and each Federal agency lender shall issue regulations requiring the Federal agency lender,".

SEC. 512. NATIONAL FLOOD INSURANCE ACT OF 1968.

(a) IN GENERAL.-- Section 1370(a) of the National Flood Insurance Act of 1968 (42 U.S.C. 4121(a)) is amended--

(1) in paragraph (5), by striking "and" at the end;

(2) in paragraph (6), by striking the period at the end and inserting a semicolon; and

(3) by inserting after paragraph (6) the following new paragraphs:

"(7) the term 'repetitive loss structure' means a structure covered by a contract for flood insurance under this title that has incurred flood-related damage on 2 occasions during a 10-year period ending on the date of the event for which a second claim is made, in which the cost of repair, on the average, equaled or exceeded 25 percent of the value of the structure at the time of each such flood event;

"(8) the term 'Federal agency lender' means a Federal agency that makes direct loans secured by improved real estate or a mobile home, to the extent such agency acts in such capacity;

"(9) the term 'Federal entity for lending regulation' means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Office of Thrift Supervision, the National Credit Union Administration, and the Farm Credit Administration, and with respect to a particular regulated lending institution means the entity primarily responsible for the supervision of the institution;

"(10) the term 'improved real estate' means real estate upon which a building is located;

"(11) the term 'lender' means a regulated lending institution or Federal agency lender;

"(12) the term 'natural and beneficial floodplain functions' means--

"(A) the functions associated with the natural or relatively undisturbed floodplain that (i) moderate flooding, retain flood waters, reduce erosion and sedimentation, and mitigate the effect of waves and storm surge from storms, and (ii) reduce flood related damage; and

"(B) ancillary beneficial functions, including maintenance of water quality and recharge of ground water, that reduce flood related damage;

"(13) the term 'regulated lending institution' means any bank, savings and loan association, credit union, farm credit bank, Federal land bank association, production credit association, or similar institution subject to the supervision of a Federal entity for lending regulation; and

"(14) the term 'servicer' means the person responsible for receiving any scheduled periodic payments from a borrower pursuant to the [2257]

terms of a loan, including amounts for taxes, insurance premiums, and other charges with respect to the property securing the loan, and making the payments of principal and interest and such other payments with respect to the amounts received from the borrower as may be required pursuant to the terms of the loan.”.

(b) CONFORMING AMENDMENT.-- Section 1322(d) of the National Flood Insurance Act of 1968 (42 U.S.C. 4029(d)) is amended by striking “federally supervised, approved, regulated or insured financial institution” and inserting “regulated lending institution or Federal agency lender”.

Subtitle B--Compliance and Increased Participation

Loans.
Real
Property.

SEC. 521. NONWAIVER OF FLOOD PURCHASE REQUIREMENT FOR RECIPIENTS OF FEDERAL DISASTER ASSISTANCE.

Section 311(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5154(b)) is amended by adding at the end the following new sentence: “The requirements of this subsection may not be waived under section 301.”.

SEC. 522. EXPANDED FLOOD INSURANCE PURCHASE REQUIREMENTS.

(a) IN GENERAL.-- Section 102(b) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(b)) is amended to read as follows:

“(b) REQUIREMENT FOR MORTGAGE LOANS.--

“(1) REGULATED LENDING INSTITUTIONS.-- Each Federal entity for lending regulation (after consultation and coordination with the Financial Institutions Examination Council established under the Federal Financial Institutions Examination Council Act of 1974) shall by regulation direct regulated lending institutions not to 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 Director 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 the maximum limit of coverage made available under the Act with respect to the particular type of property, whichever is less.

“(2) FEDERAL AGENCY LENDERS.-- A Federal agency lender may not 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 Director 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 the amount provided in paragraph (1). Each Federal agency lender shall issue any regulations necessary to carry out this paragraph. Such regulations shall be consistent with and substantially identical to the regulations issued under paragraph (1).

Regulations.

“(3) GOVERNMENT-SPONSORED ENTERPRISES FOR HOUSING.-- The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation shall implement procedures reasonably designed to ensure that, for any loan that is--

“(A) secured by improved real estate or a mobile home located in an area that has been identified, at the time of the origination of the loan or at any time during the term of the loan, by the Director as an area having special flood hazards and in which flood insurance is available under the National Flood Insurance Act of 1968, and

“(B) purchased by such entity,

the building or mobile home and any personal property securing the loan is covered for the term of the loan by flood insurance in the amount provided in paragraph (1).

“(4) APPLICABILITY.--

“(A) EXISTING COVERAGE.-- Except as provided in subparagraph (B), paragraph (1) shall apply on the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994.

“(B) NEW COVERAGE.-- Paragraphs (2) and (3) shall apply only with respect to any loan made, increased, extended, or renewed after the expiration of the 1-year period beginning on the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994. Paragraph (1) shall apply with respect to any loan made, increased, extended, or renewed by any lender supervised by the Farm Credit Administration only after the expiration of the period under this subparagraph.

“(C) CONTINUED EFFECT OF REGULATIONS.-- Notwithstanding any other provision of this subsection, the regulations to carry out paragraph (1), as in effect immediately before the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994, shall continue to apply until the regulations issued to carry out paragraph (1) as amended by section 522(a) of such Act take effect.”.

(b) EXEMPTION FOR SMALL LOANS.-- Section 102(c) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(c)) is amended--

(1) by striking “(c) Notwithstanding” and inserting the following:

“(c) EXCEPTIONS TO PURCHASE REQUIREMENTS.--

“(1) STATE-OWNED PROPERTY.-- Notwithstanding”; and

(2) by adding at the end the following new paragraph:

“(2) SMALL LOANS.-- Notwithstanding any other provision of this section, subsections (a) and (b) shall not apply to any loan having--

“(A) an original outstanding principal balance of \$5,000 or less; and

“(B) a repayment term of 1 year or less.”.

SEC. 523. ESCROW OF FLOOD INSURANCE PAYMENTS.

Section 102 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) is amended by adding at the end the following new subsection:

“(d) ESCROW OF FLOOD INSURANCE PAYMENTS.--

“(1) REGULATED LENDING INSTITUTIONS.-- Each Federal entity for lending regulation (after consultation and coordination [2259] with the

Financial Institutions Examination Council) shall by regulation require that, if a regulated lending institution requires the escrowin8g of taxes, insurance premiums, fees, or any other charges for a loan secured by residential improved real estate or a mobile home, then all premiums and fees for flood insurance under the National Flood Insurance Act of 1968 for the real estate or mobile home shall be paid to the regulated lending institution or other servicer for the loan in a manner sufficient to make payments as due for the duration of the loan. Upon receipt of the premiums, the regulated lending institution or servicer of the loan shall deposit the premiums in an escrow account on behalf of the borrower. Upon receipt of a notice from the Director or the provider of the insurance that insurance premiums are due, the regulated lending institution or servicer shall pay from the escrow account to the provider of the insurance the amount of insurance premiums owed.

“(2) FEDERAL AGENCY LENDERS.-- Each Federal agency lender shall by regulation require and provide for escrow and payment of any flood insurance premiums and fees relating to residential improved real estate and mobile homes securing loans made by the Federal agency lender under the circumstances and in the manner provided under paragraph (1). Any regulations issued under this paragraph shall be consistent with and substantially identical to the regulations issued under paragraph (1).

Regulations.

“(3) APPLICABILITY OF RESPA.-- Escrow accounts established pursuant to this subsection shall be subject to the provisions of section 10 of the Real Estate Settlement Procedures Act of 1974.

“(4) DEFINITION.-- For purposes of this subsection, the term ‘residential improved real estate’ means improved real estate for which the improvement is a residential building.

“(5) APPLICABILITY.-- This subsection shall apply only with respect to any loan made, increased, extended, or renewed after the expiration of the 1-year period beginning on the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994.”.

SEC. 524. PLACEMENT OF FLOOD INSURANCE BY LENDERS.

Section 102 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a), as amended by the preceding provisions of this title, is further amended by adding at the end the following new subsection:

“(e) PLACEMENT OF FLOOD INSURANCE BY LENDER.--

“(1) NOTIFICATION TO BORROWER OF LACK OF COVERAGE.-- If, at the time of origination or at any time during the term of a loan secured by improved real estate or by a mobile home located in an area that has been identified by the Director (at the time of the origination of the loan or at any time during the term of the loan) as an area having special flood hazards and in which flood insurance is available under the National Flood Insurance Act of 1968, the lender or servicer for the loan determines that the building or mobile home and any personal property securing the loan is not covered by flood insurance or is covered by such insurance in an amount less than the amount required for the property pursuant to [2260] paragraph (1), (2), or (3)

of subsection (b), the lender or servicer shall notify the borrower under the loan that the borrower should obtain, at the borrower's expense, an amount of flood insurance for the building or mobile home and such personal property that is not less than the amount under subsection (b)(1), for the term of the loan.

“(2) PURCHASE OF COVERAGE ON BEHALF OF BORROWER.-- If the borrower fails to purchase such flood insurance within 45 days after notification under paragraph (1), the lender or servicer for the loan shall purchase the insurance on behalf of the borrower and may charge the borrower for the cost of premiums and fees incurred by the lender or servicer for the loan in purchasing the insurance.

“(3) REVIEW OF DETERMINATION REGARDING REQUIRED PURCHASE.--

“(A) IN GENERAL.-- The borrower and lender for a loan secured by improved real estate or a mobile home may jointly request the Director to review a determination of whether the building or mobile home is located in an area having special flood hazards. Such request shall be supported by technical information relating to the improved real estate or mobile home. Not later than 45 days after the Director receives the request, the Director shall review the determination and provide to the borrower and the lender with a letter stating whether or not the building or mobile home is in an area having special flood hazards. The determination of the Director shall be final.

“(B) EFFECT OF DETERMINATION.-- Any person to whom a borrower provides a letter issued by the Director pursuant to subparagraph (A), stating that the building or mobile home securing the loan of the borrower is not in an area having special flood hazards, shall have no obligation under this title to require the purchase of flood insurance for such building or mobile home during the period determined by the Director, which shall be specified in the letter and shall begin on the date on which such letter is provided.

“(C) EFFECT OF FAILURE TO RESPOND.-- If a request under subparagraph (A) is made in connection with the origination of a loan and the Director fails to provide a letter under subparagraph (A) before the later of (i) the expiration of the 45-day period under such subparagraph, or (ii) the closing of the loan, no person shall have an obligation under this title to require the purchase of flood insurance for the building or mobile home securing the loan until such letter is provided.

“(4) APPLICABILITY.-- This subsection shall apply to all loans outstanding on or after the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994.”.

SEC. 525. PENALTIES FOR FAILURE TO REQUIRE FLOOD INSURANCE OR NOTIFY.

Section 102 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a), as amended by the preceding provisions of this title, is further amended by adding at the end the following new subsections:

“(f) CIVIL MONETARY PENALTIES FOR FAILURE TO REQUIRE FLOOD INSURANCE OR NOTIFY.--

“(1) CIVIL MONETARY PENALTIES AGAINST REGULATED LENDERS.-- Any regulated lending institution that is found to have a pattern or practice of committing violations under paragraph (2) shall be assessed a civil penalty by the appropriate Federal entity for lending regulation in the amount provided under paragraph (5).

“(2) LENDER VIOLATIONS.-- The violations referred to in paragraph (1) shall include--

“(A) making, increasing, extending, or renewing loans in violation of--

“(i) the regulations issued pursuant to subsection (b) of this section;

“(ii) the escrow requirements under subsection (d) of this section; or

“(iii) the notice requirements under section 1364 of the National Flood Insurance Act of 1968; or

“(B) failure to provide notice or purchase flood insurance coverage in violation of subsection (e) of this section.

“(3) CIVIL MONETARY PENALTIES AGAINST GSE’S.--

“(A) IN GENERAL.-- If the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation is found by the Director of the Office of Federal Housing Enterprise Oversight of the Department of Housing and Urban Development to have a pattern or practice of purchasing loans in violation of the procedures established pursuant to subsection (b)(3), the Director of such Office shall assess a civil penalty against such enterprise in the amount provided under paragraph (5) of this subsection.

“(B) DEFINITION.-- For purposes of this subsection, the term ‘enterprise’ means the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

“(4) NOTICE AND HEARING.-- A penalty under this subsection may be issued only after notice and an opportunity for a hearing on the record.

“(5) AMOUNT.-- A civil monetary penalty under this subsection may not exceed \$350 for each violation under paragraph (2) or paragraph (3). The total amount of penalties assessed under this subsection against any single regulated lending institution or enterprise during any calendar year may not exceed \$100,000.

“(6) LENDER COMPLIANCE.-- Notwithstanding any State or local law, for purposes of this subsection, any regulated lending institution that purchases flood insurance or renews a contract for flood insurance on behalf of or as an agent of a borrower of a loan for which flood insurance is required shall be considered to have complied with the regulations issued under subsection (b).

“(7) EFFECT OF TRANSFER ON LIABILITY.-- Any sale or other transfer of a loan by a regulated lending institution that has committed a violation under paragraph (1), that occurs subsequent to the violation, shall not affect the liability of the transferring lender with respect to any penalty under this subsection. A lender shall not be liable for any violations relating [2262] to a

loan committed by another regulated lending institution that previously held the loan

“(8) DEPOSIT OF PENALTIES.-- Any penalties collected under this subsection shall be paid into the National Flood Mitigation Fund under section 1367 of the National Flood Insurance Act of 1968.

“(9) ADDITIONAL PENALTIES.-- Any penalty under this subsection shall be in addition to any civil remedy or criminal penalty otherwise available.

“(10) STATUTE OF LIMITATIONS.-- No penalty may be imposed under this subsection after the expiration of the 4-year period beginning on the date of the occurrence of the violation for which the penalty is authorized under this subsection.

“(g) OTHER ACTIONS TO REMEDY PATTERN OF NONCOMPLIANCE.--

“(1) AUTHORITY OF FEDERAL ENTITIES FOR LENDING REGULATION.-- A Federal entity for lending regulation may require a regulated lending institution to take such remedial actions as are necessary to ensure that the regulated lending institution complies with the requirements of the national flood insurance program if the Federal agency for lending regulation makes a determination under paragraph (2) regarding the regulated lending institution.

“(2) DETERMINATION OF VIOLATIONS.-- A determination under this paragraph shall be a finding that--

“(A) the regulated lending institution has engaged in a pattern and practice of noncompliance in violation of the regulations issued pursuant to subsection (b), (d), or (e) or the notice requirements under section 1364 of the National Flood Insurance Act of 1968; and

“(B) the regulated lending institution has not demonstrated measurable improvement in compliance despite the assessment of civil monetary penalties under subsection (f).”.

SEC. 526. FEES FOR DETERMINING APPLICABILITY OF FLOOD INSURANCE PURCHASE REQUIREMENTS.

Section 102 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) as amended by the preceding provisions of this title, is further amended by adding at the end the following new subsection:

“(h) FEE FOR DETERMINING LOCATION.-- Notwithstanding any other Federal or State law, any person who makes a loan secured by improved real estate or a mobile home or any servicer for such a loan may charge a reasonable fee for the costs of determining whether the building or mobile home securing the loan is located in an area having special flood hazards, but only in accordance with the following requirements:

“(1) BORROWER FEE.-- The borrower under such a loan may be charged the fee, but only if the determination--

“(A) is made pursuant to the making, increasing, extending, or renewing of the loan that is initiated by the borrower;

“(B) is made pursuant to a revision or updating under section 1360(f) of the floodplain areas and flood-risk zones or

publication of a notice or compendia under subsection [2263] (h) or (i) of section 1360 that affects the area in which the improved real estate or mobile home securing the loan is located or that, in the determination of the Director, may reasonably be considered to require a determination under this subsection; or

“(C) results in the purchase of flood insurance coverage pursuant to the requirement under subsection (e)(2).

“(2) PURCHASER OR TRANSFEREE FEE.-- The purchaser or transferee of such a loan may be charged the fee in the case of sale or transfer of the loan.”.

SEC. 527. NOTICE REQUIREMENTS.

Section 1364 of the National Flood Insurance Act of 1968 (42 U.S.C. 4104a) is amended to read as follows:

“NOTICE REQUIREMENTS

“SEC. 1364. (a) NOTIFICATION OF SPECIAL FLOOD HAZARDS.--

“(1) REGULATED LENDING INSTITUTIONS.-- Each Federal entity for lending regulation (after consultation and coordination with the Financial Institutions Examination Council) shall by regulation require regulated lending institutions, as a condition of making, increasing, extending, or renewing any loan secured by improved real estate or a mobile home that the regulated lending institution determines is located or is to be located in an area that has been identified by the Director under this title or the Flood Disaster Protection Act of 1973 as an area having special flood hazards, to notify the purchaser or lessee (or obtain satisfactory assurances that the seller or lessor has notified the purchaser or lessee) and the servicer of the loan of such special flood hazards, in writing, a reasonable period in advance of the signing of the purchase agreement, lease, or other documents involved in the transaction. The regulations shall also require that the regulated lending institution retain a record of the receipt of the notices by the purchaser or lessee and the servicer.

Records.

“(2) FEDERAL AGENCY LENDERS.-- Each Federal agency lender shall by regulation require notification in the manner provided under paragraph (1) with respect to any loan that is made by the Federal agency lender and secured by improved real estate or a mobile home located or to be located in an area that has been identified by the Director under this title or the Flood Disaster Protection Act of 1973 as an area having special flood hazards. Any regulations issued under this paragraph shall be consistent with and substantially identical to the regulations issued under paragraph (1).

Regulations.

“(3) CONTENTS OF NOTICE.-- Written notification required under this subsection shall include--

“(A) a warning, in a form to be established by the Director, stating that the building on the improved real estate securing the loan is located, or the mobile home securing the loan is or is to be located, in an area having special flood hazards;

“(B) a description of the flood insurance purchase requirements under section 102(b) of the Flood Disaster Protection Act of 1973;

“(C) a statement that flood insurance coverage may be purchased under the national flood insurance program and is also available from private insurers; and

“(D) any other information that the Director considers necessary to carry out the purposes of the national flood insurance program.

“(b) NOTIFICATION OF CHANGE OF SERVICER.--

Regulations.

“(1) LENDING INSTITUTIONS.-- Each Federal entity for lending regulation (after consultation and coordination with the Financial Institutions Examination Council) shall by regulation require regulated lending institutions, in connection with the making, increasing, extending, renewing, selling, or transferring any loan described in subsection (a)(1), to notify the Director (or the designee of the Director) in writing during the term of the loan of the servicer of the loan. Such institutions shall also notify the Director (or such designee) of any change in the servicer of the loan, not later than 60 days after the effective date of such change. The regulations under this subsection shall provide that upon any change in the servicing of a loan, the duty to provide notification under this subsection shall transfer to the transferee servicer of the loan.

Regulations.

“(2) FEDERAL AGENCY LENDERS.-- Each Federal agency lender shall by regulation provide for notification in the manner provided under paragraph (1) with respect to any loan described in subsection (a)(1) that is made by the Federal agency lender. Any regulations issued under this paragraph shall be consistent with and substantially identical to the regulations issued under paragraph (1) of this subsection.

“(c) NOTIFICATION OF EXPIRATION OF INSURANCE.-- The Director (or the designee of the Director) shall, not less than 45 days before the expiration of any contract for flood insurance under this title, issue notice of such expiration by first class mail to the owner of the property covered by the contract, the servicer of any loan secured by the property covered by the contract, and (if known to the Director) the owner of the loan.”.

SEC. 528. STANDARD HAZARD DETERMINATION FORMS.

Chapter III of the National Flood Insurance Act of 1968 (42 U.S.C. 4101 et seq.) is amended by adding at the end the following new section:

“STANDARD HAZARD DETERMINATION FORMS

42 USC 4104b.

“SEC. 1365. (a) DEVELOPMENT.-- The Director, in consultation with representatives of the mortgage and lending industry, the Federal entities for lending regulation, the Federal agency lenders, and any other appropriate individuals, shall develop a standard form for determining, in the case of a loan secured by improved real estate or a mobile home, whether the building or mobile home is located in an area identified by the Director as an area having special flood hazards and in which flood insurance under this title is available.

Regulations.

The form shall be established by regulations issued not later than 270 days after the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994.

“(b) DESIGN AND CONTENTS.--

“(1) PURPOSE.-- The form under subsection (a) shall be designed to facilitate compliance with the flood insurance purchase requirements of this title.

“(2) CONTENTS.-- The form shall require identification of the type of flood-risk zone in which the building or mobile home is located, the complete map and panel numbers for the improved real estate or property on which the mobile home is located, the community identification number and community participation status (for purposes of the national flood insurance program) of the community in which the improved real estate or such property is located, and the date of the map used for the determination, with respect to flood hazard information on file with the Director. If the building or mobile home is not located in an area having special flood hazards the form shall require a statement to such effect and shall indicate the complete map and panel numbers of the improved real estate or property on which the mobile home is located. If the complete map and panel numbers are not available because the building or mobile home is not located in a community that is participating in the national flood insurance program or because no map exists for the relevant area, the form shall require a statement to such effect. The form shall provide for inclusion or attachment of any relevant documents indicating revisions or amendments to maps.

“(c) REQUIRED USE.-- The Federal entities for lending regulation shall by regulation require the use of the form under this section by regulated lending institutions. Each Federal agency lender shall by regulation provide for the use of the form with respect to any loan made by such Federal agency lender. The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association shall require the use of the form with respect to any loan purchased by such entities. A lender or other person may comply with the requirement under this subsection by using the form in a printed, computerized, or electronic manner.

Regulations.

“(d) GUARANTEES REGARDING INFORMATION.-- In providing information regarding special flood hazards on the form developed under this section, any lender (or other person required to use the form) who makes, increases, extends, or renews a loan secured by improved real estate or a mobile home may provide for the acquisition or determination of such information to be made by a person other than such lender (or other person), only to the extent such person guarantees the accuracy of the information.

“(e) RELIANCE ON PREVIOUS DETERMINATION.-- Any person increasing, extending, renewing, or purchasing a loan secured by improved real estate or a mobile home may rely on a previous determination of whether the building or mobile home is located in an area having special flood hazards (and shall not be liable for any error in such previous determination), if the previous determination was made not more than 7 years before the date of the transaction and the basis for the previous determination has been set forth on a form under this section, unless--

“(1) map revisions or updates pursuant to section 1360(f) after such previous determination have resulted in the building or mobile home being located in an area having special flood hazards; or

“(2) the person contacts the Director to determine when the most recent map revisions or updates affecting such property occurred and such revisions and updates have occurred after such previous determination.

Sec. 528

Regulations.

“(f) EFFECTIVE DATE.-- The regulations under this section requiring use of the form established pursuant to this section shall be issued together with the regulations required under subsection (a) and shall take effect upon the expiration of the 180-day period beginning on such issuance.”.

SEC. 529. EXAMINATIONS REGARDING COMPLIANCE.

(a) AMENDMENT TO FEDERAL DEPOSIT INSURANCE ACT.-- Section 10 of the Federal Deposit Insurance Act (12 U.S.C. 1820) is amended by adding at the end the following new subsection:

“(i) FLOOD INSURANCE COMPLIANCE BY INSURED DEPOSITORY INSTITUTIONS--

“(1) EXAMINATIONS.-- The appropriate Federal banking agency shall, during each scheduled on-site examination required by this section, determine whether the insured depository institution is complying with the requirements of the national flood insurance program.

“(2) REPORT.--

“(A) REQUIREMENT.-- Not later than 1 year after the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994 and biennially thereafter for the next 4 years, each appropriate Federal banking agency shall submit a report to the Congress on compliance by insured depository institutions with the requirements of the national flood insurance program.

“(B) CONTENTS.-- Each report submitted under this paragraph shall include a description of the methods used to determine compliance, the number of institutions examined during the reporting year, a listing and total number of institutions found not to be in compliance, actions taken to correct incidents of noncompliance, and an analysis of compliance, including a discussion of any trends, patterns, and problems, and recommendations regarding reasonable actions to improve the efficiency of the examinations processes.”.

(b) AMENDMENT TO FEDERAL CREDIT UNION ACT.-- Section 204 of the Federal Credit Union Act (12 U.S.C. 1784) is amended by adding at the end the following new subsection:

“(e) FLOOD INSURANCE COMPLIANCE BY INSURED CREDIT UNIONS.--

“(1) EXAMINATION.-- The Board shall, during each examination conducted under this section, determine whether the insured credit union is complying with the requirements of the national flood insurance program.

“(2) REPORT.--

“(A) REQUIREMENT.-- Not later than 1 year after the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994 and biennially thereafter for the next 4 years, the Board shall submit a report to the Congress on compliance by insured credit unions with the requirements of the national flood insurance program.

“(B) CONTENTS.-- The report shall include a description of the methods used to determine compliance, the number of insured credit unions examined during the reporting year, a listing and total number of insured credit unions found not to be in compliance,

actions taken to correct [2267] incidents of noncompliance, and an analysis of compliance, including a discussion of any trends, patterns, and problems, and recommendations regarding reasonable actions to improve the efficiency of the examinations processes.”.

(c) AMENDMENT TO FEDERAL HOUSING ENTERPRISES FINANCIAL SAFETY AND SOUNDNESS ACT OF 1992.-- Section 1319B(a) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4521(a)) is amended--

(1) in paragraph (2), by striking “and” at the end;
 (2) in paragraph (3), by striking the period at the end and inserting “; and”;

(3) by adding at the end the following new paragraph:

“(4) a description of--

“(A) whether the procedures established by each enterprise pursuant to section 102(b)(3) of the Flood Disaster Protection Act of 1973 are adequate and being complied with, and

“(B) the results and conclusions of any examination, as determined necessary by the Director, to determine the compliance of the enterprises with the requirements of section 102(b)(3) of such Act, which shall include a description of the methods used to determine compliance and the types and sources of deficiencies (if any), and identify any corrective measures that have been taken to remedy any such deficiencies,

except that the information described in this paragraph shall be included only in each of the first, third, and fifth annual reports under this subsection required to be submitted after the expiration of the 1-year period beginning on the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994.”.

SEC. 530. FINANCIAL INSTITUTIONS EXAMINATION COUNCIL.

Section 1006 of the Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3305) is amended by adding at the end the following new subsection:

“(g) FLOOD INSURANCE.-- The Council shall consult with and assist the Federal entities for lending regulation, as such term is defined in section 1370(a) of the National Flood Insurance Act of 1968, in developing and coordinating uniform standards and requirements for use by regulated lending institutions under the national flood insurance program.”.

SEC. 531. CLERICAL AMENDMENT.

Section 102 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) is amended by striking the section heading and inserting the following new section heading:

“FLOOD INSURANCE PURCHASE AND COMPLIANCE REQUIREMENTS
AND ESCROW ACCOUNTS”.

Subtitle C--Ratings and Incentives for Community Floodplain Management Programs

SEC. 541. COMMUNITY RATING SYSTEM AND INCENTIVES FOR COMMUNITY FLOODPLAIN MANAGEMENT.

Section 1315 of the National Flood Insurance Act of 1968 (42 U.S.C. 4022) is amended--

(1) by striking “After December” and inserting the following:

“(a) REQUIREMENT FOR PARTICIPATION IN FLOOD INSURANCE PROGRAM.--

“(1) IN GENERAL.-- After December”; and

(2) by adding at the end the following new subsection:

“(b) COMMUNITY RATING SYSTEM AND INCENTIVES FOR COMMUNITY
FLOODPLAIN MANAGEMENT.--

“(1) AUTHORITY AND GOALS.-- The Director shall carry out a
community rating system program, under which communities participate
voluntarily--

“(A) to provide incentives for measures that reduce the risk of
flood or erosion damage that exceed the criteria set forth in section
1361 and evaluate such measures;

“(B) to encourage adoption of more effective measures that
protect natural and beneficial floodplain functions;

“(C) to encourage floodplain and erosion management; and

“(D) to promote the reduction of Federal flood insurance losses.

“(2) INCENTIVES.-- The program shall provide incentives in the form
of credits on premium rates for flood insurance coverage in communities
that the Director determines have adopted and enforced measures that
reduce the risk of flood and erosion damage that exceed the criteria set
forth in section 1361. In providing incentives under this paragraph, the
Director may provide for credits to flood insurance premium rates in
communities that the Director determines have implemented measures that
protect natural and beneficial floodplain functions.

“(3) CREDITS.-- The credits on premium rates for flood insurance
coverage shall be based on the estimated reduction in flood and erosion
damage risks resulting from the measures adopted by the community under
this program. If a community has received mitigation assistance under
section 1366, the credits shall be phased in a manner, determined by the
Director, to recover the amount of such assistance provided for the
community.

“(4) REPORTS.-- Not later than 2 years after the date of enactment of
the Riegle Community Development and Regulatory Improvement Act of
1994 and not less than every 2 years thereafter, the Director shall submit a
report to the Congress regarding the program under this subsection. Each
report shall include an analysis of the cost-effectiveness of the [2269] pro-

gram, any other accomplishments or shortcomings of the program, and any recommendations of the Director for legislation regarding the program.”.

SEC. 542. FUNDING.

Section 1310(a) of the National Flood Insurance Act of 1968 (42 U.S.C. 4017(a)) is amended--

- (1) in paragraph (4), by striking “and” at the end;
- (2) in paragraph (5), by striking the period at the end and inserting a semicolon; and
- (3) by adding after paragraph (5) the following new paragraph:
“(6) for carrying out the program under section 1315(b);”.

Subtitle D--Mitigation of Flood Risks

SEC. 551. REPEAL OF FLOODED PROPERTY PURCHASE AND LOAN PROGRAM.

(a) REPEAL.-- Section 1362 of the National Flood Insurance Act of 1968 (42 U.S.C. 4103) is hereby repealed.

(b) TRANSITION PHASE.-- Notwithstanding subsection (a), during the 1-year period beginning on the date of enactment of this Act, the Director of the Federal Emergency Management Agency may enter into loan and purchase commitments as provided under section 1362 of the National Flood Insurance Act of 1968 (as in effect immediately before the enactment of this Act).

(c) SAVINGS PROVISION.-- Notwithstanding subsection (a), the Director shall take any action necessary to comply with any purchase or loan commitment entered into before the expiration of the period referred to in subsection (b) pursuant to authority under section 1362 of the National Flood Insurance Act of 1968 or subsection (b).

42 USC 4103
note.

SEC. 552. TERMINATION OF EROSION-THREATENED STRUCTURES PROGRAM.

(a) IN GENERAL.-- Section 1306 of the National Flood Insurance Act of 1968 (42 U.S.C. 4013) is amended by striking subsection (c).

(b) TRANSITION PHASE.-- Notwithstanding subsection (a), during the 1-year period beginning on the date of enactment of this Act, the Director of the Federal Emergency Management Agency may pay amounts under flood insurance contracts for demolition or relocation of structures as provided in section 1306(c) of the National Flood Insurance Act of 1968 (as in effect immediately before the enactment of this Act).

42 USC 4103
note.

(c) SAVINGS PROVISION.-- Notwithstanding subsection (a), the Director shall take any action necessary to make payments under flood insurance contracts pursuant to any commitments made before the expiration of the period referred to in subsection (b) pursuant to the authority under section 1306(c) of the National Flood Insurance Act of 1968 or subsection (b).

42 USC 4103
note.

(d) REPEAL OF FINDINGS PROVISION.-- Section 1302 of the National Flood Insurance Act of 1968 (42 U.S.C. 4001) is amended by striking subsection (g).

SEC. 553. MITIGATION ASSISTANCE PROGRAM.

(a) IN GENERAL.-- Chapter III of the National Flood Insurance Act of 1968 (42 U.S.C. 4101 et seq.), as amended by the preceding provisions of this title, is further amended by adding at the end the following new section:

“MITIGATION ASSISTANCE

42 USC 4104c.

“SEC. 1366. (a) AUTHORITY.-- The Director shall carry out a program to provide financial assistance to States and communities, using amounts made available from the National Flood Mitigation Fund under section 1367, for planning and carrying out activities designed to reduce the risk of flood damage to structures covered under contracts for flood insurance under this title. Such financial assistance shall be made available to States and communities in the form of grants under subsection (b) for planning assistance and in the form of grants under this section for carrying out mitigation activities.

“(b) PLANNING ASSISTANCE GRANTS.--

“(1) IN GENERAL.-- The Director may make grants under this subsection to States and communities to assist in developing mitigation plans under subsection (c).

“(2) FUNDING.-- Of any amounts made available from the National Flood Mitigation Fund for use under this section in any fiscal year, the Director may use not more than \$1,500,000 to provide planning assistance grants under this subsection.

“(3) LIMITATIONS.--

“(A) TIMING.-- A grant under this subsection may be awarded to a State or community not more than once every 5 years and each grant may cover a period of 1 to 3 years.

“(B) SINGLE GRANTEE AMOUNT.-- A grant for planning assistance may not exceed--

“(i) \$150,000, to any State; or

“(ii) \$50,000, to any community.

“(C) CUMULATIVE STATE GRANT AMOUNT.-- The sum of the amounts of grants made under this subsection in any fiscal year to any one State and all communities located in such State may not exceed \$300,000.

“(c) ELIGIBILITY FOR MITIGATION ASSISTANCE.-- To be eligible to receive financial assistance under this section for mitigation activities, a State or community shall develop, and have approved by the Director, a flood risk mitigation plan (in this section referred to as a ‘mitigation plan’), that describes the mitigation activities to be carried out with assistance provided under this section, is consistent with the criteria established by the Director under section 1361, and provides protection against flood losses to structures for which contracts for flood insurance are available under this title. The mitigation plan shall be consistent with a comprehensive strategy for mitigation activities for the area affected by the mitigation plan, that has been adopted by the State or community following a public hearing.

“(d) NOTIFICATION OF APPROVAL AND GRANT AWARD.--

“(1) IN GENERAL.-- The Director shall notify a State or community submitting a mitigation plan of the approval or [2271] disapproval of the

plan not later than 120 days after submission of the plan.

“(2) NOTIFICATION OF DISAPPROVAL.-- If the Director does not approve a mitigation plan submitted under this subsection, the Director shall notify, in writing, the State or community submitting the plan of the reasons for such disapproval.

“(e) ELIGIBLE MITIGATION ACTIVITIES.--

“(1) USE OF AMOUNTS.-- Amounts provided under this section (other than under subsection (b)) may be used only for mitigation activities specified in a mitigation plan approved by the Director under subsection (d). The Director shall provide assistance under this section to the extent amounts are available in the National Flood Mitigation Fund pursuant to appropriation Acts, subject only to the absence of approvable mitigation plans.

“(2) DETERMINATION OF ELIGIBLE PLANS.-- The Director may approve only mitigation plans that specify mitigation activities that the Director determines are technically feasible and cost-effective and only such plans that propose activities that are cost-beneficial to the National Flood Mitigation Fund.

“(3) STANDARD FOR APPROVAL.-- The Director shall approve mitigation plans meeting the requirements for approval under paragraph (1) that will be most cost-beneficial to the National Flood Mitigation Fund.

“(4) PRIORITY.-- The Director shall make every effort to provide mitigation assistance under this section for mitigation plans proposing activities for repetitive loss structures and structures that have incurred substantial damage.

“(5) ELIGIBLE ACTIVITIES.-- The Director shall determine whether mitigation activities described in a mitigation plan submitted under subsection (d) comply with the requirements under paragraph (1). Such activities may include--

“(A) demolition or relocation of any structure located on land that is along the shore of a lake or other body of water and is certified by an appropriate State or local land use authority to be subject to imminent collapse or subsidence as a result of erosion or flooding;

“(B) elevation, relocation, demolition, or floodproofing of structures (including public structures) located in areas having special flood hazards or other areas of flood risk;

“(C) acquisition by States and communities of properties (including public properties) located in areas having special flood hazards or other areas of flood risk and properties substantially damaged by flood, for public use, as the Director determines is consistent with sound land management and use in such area;

“(D) minor physical mitigation efforts that do not duplicate the flood prevention activities of other Federal agencies and that lessen the frequency or severity of flooding and decrease predicted flood damages, which shall not include major flood control projects such as dikes, levees, seawalls, groins, and jetties unless the Director specifically determines in approving a mitigation plan that such activities are the most cost-effective mitigation activities for the National Flood Mitigation Fund;

“(E) beach nourishment activities;

“(F) the provision of technical assistance by States to communities and individuals to conduct eligible mitigation activities;

“(G) other activities that the Director considers appropriate and specifies in regulation; and

“(H) other mitigation activities not described in subparagraphs (A) through (F) or the regulations issued under subparagraph (G), that are described in the mitigation plan of a State or community.

“(f) LIMITATIONS ON AMOUNT OF ASSISTANCE.--

“(1) AMOUNT.-- The sum of the amounts of mitigation assistance provided under this section during any 5-year period may not exceed--

“(A) \$10,000,000, to any State; or

“(B) \$3,300,000, to any community.

“(2) GEOGRAPHIC.-- The sum of the amounts of mitigation assistance provided under this section during any 5-year period to any one State and all communities located in such State may not exceed \$20,000,000.

“(3) WAIVER.-- The Director may waive the dollar amount limitations under paragraphs (1) and (2) for any State or community for any 5-year period during which a major disaster or emergency declared by the President (pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act) as a result of flood conditions is in effect with respect to areas in the State or community.

“(g) MATCHING REQUIREMENT.--

“(1) IN GENERAL.-- The Director may not provide mitigation assistance under this section to a State or community in an amount exceeding 3 times the amount that the State or community certifies, as the Director shall require, that the State or community will contribute from non-Federal funds to develop a mitigation plan under subsection (c) and to carry out mitigation activities under the approved mitigation plan. In no case shall any in-kind contribution by any State or community exceed one-half of the amount of non-Federal funds contributed by the State or community.

“(2) NON-FEDERAL FUNDS.-- For purposes of this subsection, the term ‘non-Federal funds’ includes State or local agency funds, in-kind contributions, any salary paid to staff to carry out the mitigation activities of the recipient, the value of the time and services contributed by volunteers to carry out such activities (at a rate determined by the Director), and the value of any donated material or building and the value of any lease on a building.

“(h) OVERSIGHT OF MITIGATION PLANS.-- THE DIRECTOR SHALL CONDUCT OVERSIGHT OF RECIPIENTS OF MITIGATION assistance under this section to ensure that the assistance is used in compliance with the approved mitigation plans of the recipients and that matching funds certified under subsection (g) are used in accordance with such certification.

“(i) RECAPTURE.--

“(1) NONCOMPLIANCE WITH PLAN.-- If the Director determines that a State or community that has received mitigation assistance under this section has not carried out the mitigation activities as set forth in the mitigation plan, the Director shall recapture [2273] any unexpended

amounts and deposit the amounts in the National Flood Mitigation Fund under section 1367

“(2) FAILURE TO PROVIDE MATCHING FUNDS.-- If the Director determines that a State or community that has received mitigation assistance under this section has not provided matching funds in the amount certified under subsection (g), the Director shall recapture any unexpended amounts of mitigation assistance exceeding 3 times the amount of such matching funds actually provided and deposit the amounts in the National Flood Mitigation Fund under section 1367.

“(j) REPORTS.-- Not later than 1 year after the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994 and biennially thereafter, the Director shall submit a report to the Congress describing the status of mitigation activities carried out with assistance provided under this section.

“(k) DEFINITION OF COMMUNITY.-- For purposes of this section, the term ‘community’ means--

“(1) a political subdivision that (A) has zoning and building code jurisdiction over a particular area having special flood hazards, and (B) is participating in the national flood insurance program; or

“(2) a political subdivision of a State, or other authority, that is designated to develop and administer a mitigation plan by political subdivisions, all of which meet the requirements of paragraph (1).”.

(b) REGULATIONS.-- Not later than 6 months after the date of enactment of this Act, the Director of the Federal Emergency Management Agency shall issue regulations to carry out section 1366 of the National Flood Insurance Act of 1968, as added by subsection (a).

42 USC 4104c
note.

SEC. 554. ESTABLISHMENT OF NATIONAL FLOOD MITIGATION FUND.

(a) IN GENERAL.-- Chapter III of the National Flood Insurance Act of 1968 (42 U.S.C. 4101 et seq.), as amended by the preceding provisions of this title, is further amended by adding at the end the following new section:

“NATIONAL FLOOD MITIGATION FUND

“SEC. 1367. (a) ESTABLISHMENT AND AVAILABILITY.-- The Director shall establish in the Treasury of the United States a fund to be known as the National Flood Mitigation Fund, which shall be credited with amounts described in subsection (b) and shall be available, to the extent provided in appropriation Acts, for providing assistance under section 1366.

42 USC 4104d
note.

“(b) CREDITS.-- The National Flood Mitigation Fund shall be credited with-

“(1) amounts from the National Flood Insurance Fund, in amounts not exceeding--

“(A) \$10,000,000 in the fiscal year ending September 30, 1994;

“(B) \$15,000,000 in the fiscal year ending September 30, 1995;

“(C) \$20,000,000 in the fiscal year ending September 30, 1996;

and

“(D) \$20,000,000 in each fiscal year thereafter;

“(2) any penalties collected under section 102(f) of the Flood Disaster Protection Act of 1973; and

“(3) any amounts recaptured under section 1366(i).

“(c) INVESTMENT.-- If the Director determines that the amounts in the National Flood Mitigation Fund are in excess of amounts needed under subsection (a), the Director may invest any excess amounts the Director determines advisable in interest-bearing obligations issued or guaranteed by the United States.

“(d) REPORT.-- The Director shall submit a report to the Congress not later than the expiration of the 1-year period beginning on the date of enactment of this Act and not less than once during each successive 2-year period thereafter. The report shall describe the status of the Fund and any activities carried out with amounts from the Fund.”.

(b) NATIONAL FLOOD INSURANCE FUND AS SEPARATE ACCOUNT.-- Section 1310(a) of the National Flood Insurance Act of 1968 (42 U.S.C. 4017(a)) is amended--

(1) in the matter preceding paragraph (1)--

(A) by striking “is authorized to” and inserting “shall”; and

(B) by inserting after “which shall be” the following: “an account separate from any other accounts or funds available to the Director and shall be”; and

(2) by adding after paragraph (6) (as added by the preceding provisions of this title) the following new paragraph:

“(7) for transfers to the National Flood Mitigation Fund, but only to the extent provided in section 1367(b)(1); and”.

SEC. 555. ADDITIONAL COVERAGE FOR COMPLIANCE WITH LAND USE AND CONTROL MEASURES.

(a) IN GENERAL.-- Section 1304 of the National Flood Insurance Act of 1968 (42 U.S.C. 4011) is amended--

(1) by redesignating subsection (b) as subsection (c); and

(2) by inserting after subsection (a) the following new subsection:

“(b) ADDITIONAL COVERAGE FOR COMPLIANCE WITH LAND USE AND CONTROL MEASURES.-- The national flood insurance program established pursuant to subsection (a) shall enable the purchase of insurance to cover the cost of compliance with land use and control measures established under section 1361 for-

“(1) properties that are repetitive loss structures;

“(2) properties that have flood damage in which the cost of repairs equals or exceeds 50 percent of the value of the structure at the time of the flood event; and

“(3) properties that have sustained flood damage on multiple occasions, if the Director determines that it is cost-effective and in the best interests of the National Flood Insurance Fund to require compliance with the land use and control measures.

The Director shall impose a surcharge on each insured of not more than \$75 per policy to provide cost of compliance coverage in accordance with the provisions of this subsection.”.

(b) APPLICABILITY.-- The provisions of subsection (a) shall apply only to properties that sustain flood-related damage after the date of enactment of this Act.

42 USC 4011
note.

Subtitle E--Task Forces

SEC. 561. FLOOD INSURANCE INTERAGENCY TASK FORCE.

42 USC 4011
note.

(a) ESTABLISHMENT.-- There is hereby established an interagency task force to be known as the Flood Insurance Task Force (in this section referred to as the "Task Force").

(b) MEMBERSHIP.--

(1) IN GENERAL.-- The Task Force shall be composed of 10 members, who shall be the designees of--

(A) the Federal Insurance Administrator;

(B) the Federal Housing Commissioner;

(C) the Secretary of Veterans Affairs;

(D) the Administrator of the Farmers Home Administration;

(E) the Administrator of the Small Business Administration;

(F) the Chairman of the Board of Directors of the Farm Credit Administration;

(G) a designee of the Financial Institutions Examination Council;

(H) the Director of the Office of Federal Housing Enterprise Oversight;

(I) the chairman of the Board of Directors of the Federal Home Loan Mortgage Corporation; and

(J) the chairman of the Board of Directors of the Federal National Mortgage Association.

(2) QUALIFICATIONS.-- Members of the Task Force shall be designated for membership on the Task Force by reason of demonstrated knowledge and competence regarding the national flood insurance program.

(c) DUTIES.-- The Task Force shall carry out the following duties:

(1) RECOMMENDATIONS OF STANDARDIZED ENFORCEMENT PROCEDURES.-- Make recommendations to the head of each Federal agency and enterprise referred to under subsection (b)(1) regarding establishment or adoption of standardized enforcement procedures among such agencies and corporations responsible for enforcing compliance with the requirements under the national flood insurance program to ensure fullest possible compliance with such requirements.

(2) STUDY OF COMPLIANCE ASSISTANCE.-- Conduct a study of the extent to which Federal agencies and the secondary mortgage market can provide assistance in ensuring compliance with the requirements under the national flood insurance program and submit to the Congress a report describing the study and any conclusions.

(3) STUDY OF COMPLIANCE MODEL.-- Conduct a study of the extent to which existing programs of Federal agencies and corporations for compliance with the requirements under the national flood insurance program can serve as a model for other Federal agencies responsible for enforcing compliance, and submit to the Congress a report describing the study and any conclusions.

(4) RECOMMENDATIONS FOR ENFORCEMENT AND COMPLIANCE PROCEDURES.-- Develop recommendations regarding enforcement [2276] and

compliance procedures, based on the studies and findings of the Task Force, and publish such recommendations

(5) STUDY OF DETERMINATION FEES.-- Conduct a study of--

(A) the reasonableness of fees charged pursuant to 102(h) of the Flood Disaster Protection Act of 1973 for costs of determining whether the property securing a loan is located in an area having special flood hazards; and

(B) whether the fees charged pursuant to such section by lenders and servicers are greater than the amounts paid by such lenders and servicers to persons actually conducting such determinations and the extent to which the fees exceed such amounts.

(d) NONCOMPENSATION.-- Members of the Task Force shall receive no additional pay by reason of their service on the Task Force.

(e) CHAIRPERSON.-- The members of the Task Force shall elect one member as chairperson of the Task Force.

(f) MEETINGS AND ACTION.-- The Task Force shall meet at the call of the chairman or a majority of the members of the Task Force and may take action by a vote of the majority of the members. The Federal Insurance Administrator shall coordinate and call the initial meeting of the Task Force.

(g) OFFICERS.-- The chairperson of the Task Force may appoint any officers to carry out the duties of the Task Force under subsection (c).

(h) STAFF OF FEDERAL AGENCIES.-- Upon request of the chairperson of the Task Force, the head of any of the Federal agencies and entities referred to under subsection (b)(1) may detail, on a nonreimbursable basis, any of the personnel of such agency to the Task Force to assist the Task Force in carrying out its duties under this section.

(i) POWERS.-- In carrying out this section, the Task Force may hold hearings, sit and act at times and places, take testimony, receive evidence and assistance, provide information, and conduct research as the Task Force considers appropriate.

(j) TERMINATION.-- The Task Force shall terminate upon the expiration of the 24-month period beginning upon the designation of the last member to be designated under subsection (b)(1).

42 USC 4102
note.

**SEC. 562. TASK FORCE ON NATURAL AND BENEFICIAL
FUNCTIONS OF THE FLOODPLAIN.**

(a) ESTABLISHMENT.-- There is hereby established an interagency task force to be known as the Task Force on Natural and Beneficial Functions of the Floodplain (in this section referred to as the "Task Force").

(b) MEMBERSHIP.-- The Task Force shall be composed of 5 members, who shall be the designees of--

- (1) the Under Secretary of Commerce for Oceans and Atmosphere;
- (2) the Director of the United States Fish and Wildlife Service;
- (3) the Administrator of the Environmental Protection Agency;
- (4) the Secretary of the Army, acting through the Chief of Engineers;

and

- (5) the Director of the Federal Emergency Management Agency.

(c) DUTIES.-- The Task Force shall--

(1) conduct a study to--

(A) identify the natural and beneficial functions of the floodplain that reduce flood-related losses; and

(B) develop recommendations on how to reduce flood losses by protecting the natural and beneficial functions of the floodplain; and

(2) make the information and recommendations under subparagraphs

(A) and (B) publicly available.

(d) NONCOMPENSATION.-- Members of the Task Force shall receive no additional pay by reason of their service on the Task Force.

(e) CHAIRPERSON.-- The members of the Task Force shall elect one member as chairperson of the Task Force.

(f) MEETINGS AND ACTION.-- The Task Force shall meet at the call of the chairperson or a majority of the members of the Task Force and may take action by a vote of the majority of the members. The Federal Insurance Administrator shall coordinate and call the initial meeting of the Task Force.

(g) OFFICERS.-- The chairperson of the Task Force may appoint any officers to carry out the duties of the Task Force under subsection (c).

(h) STAFF OF FEDERAL AGENCIES.-- Upon request of the chairperson of the Task Force, the head of any of the Federal agencies and entities referred to under subsection (b) may detail, on a nonreimbursable basis, any of the personnel of such agency to the Task Force to assist the Task Force in carrying out its duties under this section.

(i) POWERS.-- In carrying out this section, the Task Force may hold hearings, sit and act at times and places, take testimony, receive evidence and assistance, provide information, and conduct research as the Task Force considers appropriate.

(j) TERMINATION.-- The Task Force shall terminate upon the expiration of the 24-month period beginning upon the designation of the last member to be designated under subsection (b).

Subtitle F--Miscellaneous Provisions

SEC. 571. EXTENSION OF FLOOD INSURANCE PROGRAM.

(a) IN GENERAL.-- Section 1319 of the National Flood Insurance Act of 1968 (42 U.S.C. 4026) is amended by striking "September 30, 1995" and inserting "September 30, 1996".

(b) EMERGENCY IMPLEMENTATION.-- Section 1336(a) of the National Flood Insurance Act of 1968 (42 U.S.C. 4056(a)) is amended by striking "September 30, 1995" and inserting "September 30, 1996".

SEC. 572. LIMITATION ON PREMIUM INCREASES.

(a) PROPERTY-SPECIFIC LIMITATION.-- Section 1308 of the National Flood Insurance Act of 1968 (42 U.S.C. 4013(b)) is amended--

(1) in subsection (c), by striking "Notwithstanding any other provision of this title" and inserting "Subject only to the limitation under subsection (e)"; and

(2) by inserting after subsection (d) the following new subsection:

“(e) ANNUAL LIMITATION ON PREMIUM INCREASES.-- Notwithstanding any other provision of this title, the chargeable risk premium rates for flood insurance under this title for any properties within any single risk classification may not be increased by an amount that would result in the average of such rate increases for properties within the risk classification during any 12-month period exceeding 10 percent of the average of the risk premium rates for properties within the risk classification upon the commencement of such 12-month period.”.

(b) REPEAL OF PROGRAM-WIDE LIMITATION.-- Subsection (d) of section 541 of the Housing and Community Development Act of 1987 (42 U.S.C. 4015 note) is hereby repealed.

SEC. 573. MAXIMUM FLOOD INSURANCE COVERAGE AMOUNTS.

(a) IN GENERAL.-- Section 1306(b) of the National Flood Insurance Act of 1968 (42 U.S.C. 4013(b)) is amended as follows:

(1) RESIDENTIAL PROPERTY.-- In paragraph (2), by striking “an amount of \$150,000 under the provisions of this clause” and inserting the following: “a total amount (including such limits specified in paragraph (1)(A)(i)) of \$250,000”.

(2) RESIDENTIAL PROPERTY CONTENTS.-- In paragraph (3), by striking “an amount of \$50,000 under the provisions of this clause” and inserting the following: “a total amount (including such limits specified in paragraph (1)(A)(ii)) of \$100,000”.

(3) NONRESIDENTIAL PROPERTY AND CONTENTS.-- By striking paragraph (4) and inserting the following new paragraph:

“(4) in the case of any nonresidential property, including churches, for which the risk premium rate is determined in accordance with the provisions of section 1307(a)(1), additional flood insurance in excess of the limits specified in subparagraphs (B) and (C) of paragraph (1) shall be made available to every insured upon renewal and every applicant for insurance, in respect to any single structure, up to a total amount (including such limit specified in subparagraph (B) or (C) of paragraph (1), as applicable) of \$500,000 for each structure and \$500,000 for any contents related to each structure; and”.

(b) REMOVAL OF CEILING ON COVERAGE REQUIRED.-- Section 1306(b) of the National Flood Insurance Act of 1968 (42 U.S.C. 4013(b)) is amended--

(1) in paragraph (5), by striking “; and” at the end and inserting a period; and

(2) by striking paragraph (6).

SEC. 574. FLOOD INSURANCE PROGRAM ARRANGEMENTS WITH PRIVATE INSURANCE ENTITIES.

Section 1345(b) of the National Flood Insurance Act of 1968 (42 U.S.C. 4081(b)) is amended by striking the period at the end and inserting the following: “and without regard to the provisions of the Federal Advisory Committee Act (5 U.S.C. App.)”.

SEC. 575. UPDATING OF FLOOD MAPS.

Section 1360 of the National Flood Insurance Act of 1968 (42 U.S.C. 4101) is amended by adding at the end the following new subsections:

“(e) REVIEW OF FLOOD MAPS.-- Once during each 5-year period (the 1st such

period beginning on the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994) or more often as the Director determines necessary, the Director [2279] shall assess the need to revise and update all floodplain areas and flood risk zones identified, delineated, or established under this section, based on an analysis of all natural hazards affecting flood risks.

“(F) UPDATING FLOOD MAPS.-- The Director shall revise and update any floodplain areas and flood-risk zones--

“(1) upon the determination of the Director, according to the assessment under subsection (e), that revision and updating are necessary for the areas and zones; or

“(2) upon the request from any State or local government stating that specific floodplain areas or flood-risk zones in the State or locality need revision or updating, if sufficient technical data justifying the request is submitted and the unit of government making the request agrees to provide funds in an amount determined by the Director, but which may not exceed 50 percent of the cost of carrying out the requested revision or update.

“(g) AVAILABILITY OF FLOOD MAPS.-- To promote compliance with the requirements of this title, the Director shall make flood insurance rate maps and related information available free of charge to the Federal entities for lending regulation, Federal agency lenders, State agencies directly responsible for coordinating the national flood insurance program, and appropriate representatives of communities participating in the national flood insurance program, and at a reasonable cost to all other persons. Any receipts resulting from this subsection shall be deposited in the National Flood Insurance Fund, pursuant to section 1310(b)(6).

“(h) NOTIFICATION OF FLOOD MAP CHANGES.-- The Director shall cause notice to be published in the Federal Register (or shall provide notice by another comparable method) of any change to flood insurance map panels and any change to flood insurance map panels issued in the form of a letter of map amendment or a letter of map revision. Such notice shall be published or otherwise provided not later than 30 days after the map change or revision becomes effective. Notice by any method other than publication in the Federal Register shall include all pertinent information, provide for regular and frequent distribution, and be at least as accessible to map users as notice in the Federal Register. All notices under this subsection shall include information on how to obtain copies of the changes or revisions.

Federal Register, publication.

“(i) COMPENDIA OF FLOOD MAP CHANGES.-- Every 6 months, the Director shall publish separately in their entirety within a compendium, all changes and revisions to flood insurance map panels and all letters of map amendment and letters of map revision for which notice was published in the Federal Register or otherwise provided during the preceding 6 months. The Director shall make such compendia available, free of charge, to Federal entities for lending regulation, Federal agency lenders, and States and communities participating in the national flood insurance program pursuant to section 1310 and at cost to all other parties. Any receipts resulting from this subsection shall be deposited in the National Flood Insurance Fund, pursuant to section 1310(b)(6).

Public information.

“(j) PROVISION OF INFORMATION.-- In the implementation of revisions to and updates of flood insurance rate maps, the Director shall share information, to the extent appropriate, with the Under Secretary of Commerce for Oceans and Atmosphere and representatives from State coastal zone management programs.”.

Sec. 57642 USC 4101
note.**SEC. 576. TECHNICAL MAPPING ADVISORY COUNCIL.**

(a) ESTABLISHMENT.-- There is established a council to be known as the Technical Mapping Advisory Council (in this section referred to as the "Council").

(b) MEMBERSHIP.--

(1) IN GENERAL.-- The Council shall consist of the Director of the Federal Emergency Management Agency (in this section referred to as the "Director"), or the Director's designee, and 10 additional members to be appointed by the Director or the designee of the Director, who shall be--

(A) the Under Secretary of Commerce for Oceans and Atmosphere (or his or her designee);

(B) a member of recognized surveying and mapping professional associations and organizations;

(C) a member of recognized professional engineering associations and organizations;

(D) a member of recognized professional associations or organizations representing flood hazard determination firms;

(E) a representative of the United States Geologic Survey;

(F) a representative of State geologic survey programs;

(G) a representative of State national flood insurance coordination offices;

(H) a representative of a regulated lending institution;

(I) a representative of the Federal Home Loan Mortgage Corporation; and

(J) a representative of the Federal National Mortgage Association.

(2) QUALIFICATIONS.-- Members of the Council shall be appointed based on their demonstrated knowledge and competence regarding surveying, cartography, remote sensing, geographic information systems, or the technical aspects of preparing and using flood insurance rate maps.

(c) DUTIES.-- The Council shall--

(1) make recommendations to the Director on how to improve in a cost-effective manner the accuracy, general quality, ease of use, and distribution and dissemination of flood insurance rate maps;

(2) recommend to the Director mapping standards and guidelines for flood insurance rate maps; and

(3) submit an annual report to the Director that contains--

(A) a description of the activities of the Council;

(B) an evaluation of the status and performance of flood insurance rate maps and mapping activities to revise and update flood insurance rate maps, as established pursuant to the amendment made by section 675; and

(C) a summary of recommendations made by the Council to the Director.

(d) CHAIRPERSON.-- The members of the Council shall elect 1 member to serve as the chairperson of the Council (in this section referred to as the "Chairperson").

(e) COORDINATION.-- To ensure that the Council's recommendations are consistent to the maximum extent practicable with national digital spatial data collection and management standards, the Chairperson shall consult with the

Reports.

Chairperson of the Federal [2281] Geographic Data Committee (established pursuant to OMB Circular A-16).

(f) COMPENSATION.-- Members of the Council shall receive no additional compensation by reason of their service on the Council.

(g) MEETINGS AND ACTIONS.--

(1) IN GENERAL.-- The Council shall meet not less than twice each year at the request of the Chairperson or a majority of its members and may take action by a vote of the majority of the members.

(2) INITIAL MEETING.-- The Director, or a person designated by the Director, shall request and coordinate the initial meeting of the Council.

(h) OFFICERS.-- The Chairperson may appoint officers to assist in carrying out the duties of the Council under subsection (c).

(i) STAFF OF FEMA.-- Upon the request of the Chairperson, the Director may detail, on a nonreimbursable basis, personnel of the Federal Emergency Management Agency to assist the Council in carrying out its duties.

(j) POWERS.-- In carrying out this section, the Council may hold hearings, receive evidence and assistance, provide information, and conduct research as it considers appropriate.

(k) TERMINATION.-- The Council shall terminate 5 years after the date on which all members of the Council have been appointed under subsection (b)(1).

SEC. 577. EVALUATION OF EROSION HAZARDS.

42 USC 4001
note.

(a) REPORT REQUIREMENT.-- The Director of the Federal Emergency Management Agency (in this section referred to as the "Director") shall submit a report under this section to the Congress that--

(1) lists all communities that are likely to be identified as having erosion hazard areas;

(2) estimates the amount of flood insurance claims under the national flood insurance program that are attributable to erosion;

(3) states the amount of flood insurance claims under such program that are attributable to claims under section 1306(c) of the National Flood Insurance Act of 1968;

(4) assesses the full economic impact of erosion on the National Flood Insurance Fund; and

(5) determines the costs and benefits of expenditures necessary from the National Flood Insurance Fund to complete mapping of erosion hazard areas.

(b) ESTIMATE OF FLOOD CLAIMS.-- In developing the estimate under subsection (a)(2)--

(1) the Director may map a statistically valid and representative number of communities with erosion hazard areas throughout the United States, including coastal, Great Lakes, and, if technologically feasible, riverine areas; and

(2) the Director shall take into consideration the efforts of State and local governments to assess, measure, and reduce erosion hazards.

(c) ECONOMIC IMPACT.--

(1) IN GENERAL.-- The assessment under subsection (a)(4) shall assess the economic impact of--

(A) erosion on communities listed pursuant to subsection (a)(1);

(B) the denial of flood insurance for all structures in communities listed pursuant to subsection (a)(1);

(C) the denial of flood insurance for structures that are newly constructed in whole in communities listed pursuant to subsection (a)(1);

(D) the establishment of (i) actuarial rates for existing structures in communities listed pursuant to subsection (a)(1), and (ii) actuarial rates for such structures in connection with the denial of flood insurance as described in subparagraph (C);

(E) the establishment of actuarial rates for structures newly constructed in whole in erosion hazard areas in communities listed pursuant to subsection (a)(1);

(F) the denial of flood insurance pursuant to existing requirements for coverage under the national flood insurance program;

(G) erosion hazard assessment, measurement, and management activities undertaken by State and local governments, including building restrictions, beach nourishment, construction of sea walls and levees, and other activities that reduce the risk of damage due to erosion; and

(H) the mapping and identifying of communities (or subdivisions thereof) having erosion hazard areas.

(2) SCOPE.-- In assessing the economic impact of the activities under subparagraphs (A) through (H) of paragraph (1), the assessment under subsection (a)(4) shall address such impact on all significant economic factors, including the impact on--

(A) the value of residential and commercial properties in communities with erosion hazards;

(B) community tax revenues due to potential changes in property values or commercial activity;

(C) employment, including the potential loss or gain of existing and new jobs in the community;

(D) existing businesses and future economic development;

(E) the estimated cost of Federal and State disaster assistance to flood victims; and

(F) the mapping and identifying of communities (or subdivisions thereof) having erosion hazard areas.

(3) PREPARATION.-- The assessment required under subsection (a)(4) shall be conducted by a private independent entity selected by the Director. The private entity shall consult with a statistically valid and representative number of communities listed pursuant to subsection (a)(1) in conducting the assessment.

(d) COSTS AND BENEFITS OF MAPPING.-- The determination under subsection (a)(5) shall--

(1) determine the costs and benefits of mapping erosion hazard areas, based upon the Director's estimate of the actual and prospective amount of flood insurance claims attributable to erosion;

(2) if the Director determines that the savings to the National Flood Insurance Fund will exceed the cost of mapping erosion hazard areas, further assess whether using flood insurance premiums for costs of

mapping erosion hazard areas is [2283] cost-beneficial compared to alternative uses of such amounts, including--

(A) funding the mitigation assistance program under section 1366 of the National Flood Insurance Act of 1968 (as added by section 553 of this Act);

(B) funding the program under section 1304(b) of the National Flood Insurance Act of 1968 (as added by section 555(a) of this Act) that provides additional coverage under the national flood insurance program for compliance with land use and control measures; and

(C) reviewing, revising, and updating flood insurance rate maps under subsections (e) and (f) of section 1360 of the National Flood Insurance Act of 1968 (as added by the amendment made by section 575 of this Act);

(3) if the Director determines under subsection (b)(1) that mapping of riverine areas for erosion hazard areas is technologically feasible, determine the costs and benefits of conducting the mapping of erosion hazards in riverine areas (A) separately from the mapping of other erosion hazard areas, and (B) together with the mapping of other such areas;

(4) if the Director determines that the savings to the National Flood Insurance Fund will exceed the cost of mapping erosion hazard areas in riverine areas, assess whether using flood insurance premiums for costs of mapping erosion hazard areas in riverine areas is cost-beneficial compared to alternative uses of such amounts, including the uses under subparagraphs (A) through (C) of paragraph (2); and

(5) determine the costs and benefits of mapping erosion, other than those directly related to the financial condition of the National Flood Insurance Program, and the costs of not mapping erosion.

(e) DEFINITION.-- For purposes of this section, the term "erosion hazard area" means, based on erosion rate information and other historical data available, an area where erosion or avulsion is likely to result in damage to or loss of buildings and infrastructure within a 60-year period.

(f) CONSULTATION.-- In preparing the report under this section, the Director shall consult with--

(1) representatives from State coastal zone management programs approved under section 306 of the Coastal Zone Management Act of 1972;

(2) the Administrator of the National Oceanic and Atmospheric Administration; and

(3) any other persons, officials, or entities that the Director considers appropriate.

(g) SUBMISSION.-- The Director shall submit the report to the Congress as soon as practicable, but not later than 2 years after the date of enactment of this Act. Reports.

(h) AVAILABILITY OF NATIONAL FLOOD INSURANCE FUND.-- Section 1310(a) of the National Flood Insurance Act of 1968 (42 U.S.C. 4017(a)) is amended--

(1) in the matter preceding paragraph (1), by inserting "(except as otherwise provided in this section)" after "without fiscal year limitation"; and

(2) by inserting after paragraph (7) (as added by the preceding provisions of this title) the following new paragraph:

“(8) for costs of preparing the report under section 577 of the Riegle Community Development and Regulatory Improvement Act of 1994, except that the fund shall be available for the purpose under this paragraph in an amount not to exceed an aggregate of \$5,000,000 over the 2-year period beginning on the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994.”.

42 USC 4014
note.

SEC. 578. STUDY OF ECONOMIC EFFECTS OF CHARGING ACTUARIALLY BASED PREMIUM RATES FOR PRE-FIRM STRUCTURES.

(a) STUDY.-- The Director of the Federal Emergency Management Agency (in this section referred to as the “Director”) shall conduct a study of the economic effects that would result from increasing premium rates for flood insurance coverage made available under the national flood insurance program for pre-FIRM structures to the full actuarial risk based premium rate determined under section 1307(a)(1) of the National Flood Insurance Act of 1968 for the area in which the property is located. In conducting the study, the Director shall--

(1) determine each area that would be subject to such increased premium rates; and

(2) for each such area, determine--

(A) the amount by which premium rates would be increased;

(B) the number and types of properties affected and the number and types of properties covered by flood insurance under this title likely to cancel such insurance if the rate increases were made;

(C) the effects that the increased premium rates would have on land values and property taxes; and

(D) any other effects that the increased premium rates would have on the economy and homeowners.

(b) DEFINITION OF PRE-FIRM STRUCTURE.-- For purposes of subsection (a), the term “pre-FIRM structure” means a structure that was not constructed or substantially improved after the later of--

(1) December 31, 1974; or

(2) the effective date of the initial rate map published by the Director under section 1360(a)(2) of the National Flood Insurance Act of 1968 for the area in which such structure is located.

(c) REPORT.-- The Director shall submit a report to the Congress describing and explaining the findings of the study conducted under this section. The report shall be submitted not later than 12 months after the date of enactment of this Act.

SEC. 579. EFFECTIVE DATES OF POLICIES.

(a) 30-DAY DELAY.-- Section 1306 of the National Flood Insurance Act of 1968 (42 U.S.C. 4013), as amended by the preceding provisions of this title, is further amended by adding at the end the following new subsection:

“(c) EFFECTIVE DATE OF POLICIES--

“(1) WAITING PERIOD.-- Except as provided in paragraph (2), coverage under a new contract for flood insurance coverage under this title entered into after the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994, and any modification to coverage under an existing flood insurance contract made after such date, shall become effective upon the expiration of the 30-day period [2285] beginning

on the date that all obligations for such coverage (including completion of the application and payment of any initial premiums owed) are satisfactorily completed.

“(2) EXCEPTION.-- The provisions of paragraph (1) shall not apply to--

“(A) the initial purchase of flood insurance coverage under this title when the purchase of insurance is in connection with the making, increasing, extension, or renewal of a loan; or

“(B) the initial purchase of flood insurance coverage pursuant to a revision or updating of floodplain areas or flood-risk zones under section 1360(f), if such purchase occurs during the 1-year period beginning upon publication of notice of the revision or updating under section 1360(h).” . .

(b) STUDY.-- The Director of the Federal Emergency Management Agency shall conduct a study to determine the appropriateness of existing requirements regarding the effective date and time of coverage under flood insurance contracts obtained through the national flood insurance program. In conducting the study, the Director shall determine whether any delay between the time of purchase of flood insurance coverage and the time of initial effectiveness of the coverage should differ for various classes of properties (based upon the type of property, location of the property, or any other factors related to the property) or for various circumstances under which such insurance was purchased. Not later than the expiration of the 6-month period beginning on the date of enactment of this Act, the Director shall submit to the Congress a report on the results of the study.

Reports.

SEC. 580. AGRICULTURAL STRUCTURES.

Section 1315(a) of the National Flood Insurance Act of 1968 (42 U.S.C. 4022(a)), as amended by the preceding provisions of this title, is further amended by adding at the end the following new paragraph:

“(2) AGRICULTURAL STRUCTURES.--

“(A) ACTIVITY RESTRICTIONS.-- Notwithstanding any other provision of law, the adequate land use and control measures required to be adopted in an area (or subdivision thereof) pursuant to paragraph (1) may provide, at the discretion of the appropriate State or local authority, for the repair and restoration to predamaged conditions of an agricultural structure that--

“(i) is a repetitive loss structure; or

“(ii) has incurred flood-related damage to the extent that the cost of restoring the structure to its predamaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.

“(B) PREMIUM RATES AND COVERAGE.-- To the extent applicable, an agricultural structure repaired or restored pursuant to subparagraph (A) shall pay chargeable premium rates established under section 1308 at the estimated risk premium rates under section 1307(a)(1). If resources are available, the Director shall provide technical assistance and counseling, upon request of the owner of the structure, regarding wet flood-proofing and other flood damage reduction measures for agricultural structures. The [2286] Director

shall not be required to make flood insurance coverage available for such an agricultural structure unless the structure is wet flood-proofed through permanent or contingent measures applied to the structure or its contents that prevent or provide resistance to damage from flooding by allowing flood waters to pass through the structure, as determined by the Director.

“(C) PROHIBITION ON DISASTER RELIEF.-- Notwithstanding any other provision of law, any agricultural structure repaired or restored pursuant to subparagraph (A) shall not be eligible for disaster relief assistance under any program administered by the Director or any other Federal agency.

“(D) DEFINITIONS.-- For purposes of this paragraph--

“(i) the term ‘agricultural structure’ means any structure used exclusively in connection with the production, harvesting, storage, raising, or drying of agricultural commodities; and

“(ii) the term ‘agricultural commodities’ means agricultural commodities and livestock.”.

SEC. 581. IMPLEMENTATION REVIEW BY DIRECTOR.

Section 1320 of the National Flood Insurance Act of 1968 (42 U.S.C. 4027) is amended--

(1) by striking “The Director” and inserting “(a) IN GENERAL.-- The Director”; and

(2) by adding at the end the following new subsection:

Reports.

“(b) EFFECTS OF FLOOD INSURANCE PROGRAM.-- The Director shall include, as part of the biennial report submitted under subsection (a), a chapter reporting on the effects on the flood insurance program observed through implementation of requirements under the Riegle Community Development and Regulatory Improvement Act of 1994.”.

42 USC 5154a.

SEC. 582. PROHIBITED FLOOD DISASTER ASSISTANCE.

(a) GENERAL PROHIBITION.-- Notwithstanding any other provision of law, no Federal disaster relief assistance made available in a flood disaster area may be used to make a payment (including any loan assistance payment) to a person for repair, replacement, or restoration for damage to any personal, residential, or commercial property if that person at any time has received flood disaster assistance that was conditional on the person first having obtained flood insurance under applicable Federal law and subsequently having failed to obtain and maintain flood insurance as required under applicable Federal law on such property.

(b) TRANSFER OF PROPERTY.--

(1) DUTY TO NOTIFY.-- In the event of the transfer of any property described in paragraph (3), the transferor shall, not later than the date on which such transfer occurs, notify the transferee in writing of the requirements to--

(A) obtain flood insurance in accordance with applicable Federal law with respect to such property, if the property is not so insured as of the date on which the property is transferred; and

(B) maintain flood insurance in accordance with applicable Federal law with respect to such property.

Such written notification shall be contained in documents evidencing the transfer of ownership of the property.

(2) FAILURE TO NOTIFY.-- If a transferor described in paragraph (1) fails to make a notification in accordance with such paragraph and, subsequent to the transfer of the property--

(A) the transferee fails to obtain or maintain flood insurance in accordance with applicable Federal law with respect to the property,

(B) the property is damaged by a flood disaster, and

(C) Federal disaster relief assistance is provided for the repair, replacement, or restoration of the property as a result of such damage, the transferor shall be required to reimburse the Federal Government in an amount equal to the amount of the Federal disaster relief assistance provided with respect to the property.

(3) PROPERTY DESCRIBED.-- For purposes of paragraph (1), a property is described in this paragraph if it is personal, commercial, or residential property for which Federal disaster relief assistance made available in a flood disaster area has been provided, prior to the date on which the property is transferred, for repair, replacement, or restoration of the property, if such assistance was conditioned upon obtaining flood insurance in accordance with applicable Federal law with respect to such property.

(c) AMENDMENT TO THE FLOOD DISASTER PROTECTION ACT OF 1973.-- Section 102(a) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(a)) is amended--

(1) by striking “, during the anticipated economic or useful life of the project,”; and

(2) by adding at the end the following: “The requirement of maintaining flood insurance shall apply during the life of the property, regardless of transfer of ownership of such property.”.

(d) DEFINITION.-- For purposes of this section, the term “flood disaster area” means an area with respect to which--

(1) the Secretary of Agriculture finds, or has found, to have been substantially affected by a natural disaster in the United States pursuant to section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)); or

(2) the President declares, or has declared, the existence of a major disaster or emergency pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.), as a result of flood conditions existing in or affecting that area.

(e) EFFECTIVE DATE.-- This section and the amendments made by this section shall apply to disasters declared after the date of enactment of this Act.

SEC. 583. REGULATIONS.

The Director of the Federal Emergency Management Agency and any appropriate Federal agency may each issue any regulations necessary to carry out the applicable provisions of this title and the applicable amendments made by this title.

42 USC 4001
note.

SEC. 584. RELATION TO STATE AND LOCAL LAWS.

This title and the amendments made by this title may not be construed to preempt, annul, alter, amend, or exempt any person from compliance with any law, ordinance, or regulation of any State or local government with respect to land use, management, or control.

42 USC 4001
note.