Supplement to the FCA Informational Memorandum Providing Guidance for System Institutions Affected by the COVID-19 Pandemic

Flood insurance requirements

The Farm Credit Administration issued an informational memorandum on January 5 (PDF) to provide updated guidance to Farm Credit System (System) institutions on issues related to the COVID-19 pandemic. Unless otherwise stated, this January informational memorandum covers the period beginning January 1, 2021, and ending on June 30, 2021, or 60 days after termination of the COVID-19 national emergency, whichever is later. The memorandum includes guidance for working with borrowers affected by the pandemic. It also states that we will provide additional guidance in the form of supplements to the informational memorandum.

This is the third supplement to the January 5 informational memorandum. It discusses flood insurance requirements. Except for deleting the question and answer pertaining to a Federal Emergency Management Agency bulletin that is no longer in effect, the guidance contained in this supplement is unchanged from the guidance contained in the previous supplement on the same subject and attached to the May 4 informational memorandum (PDF).

If a System institution works with its borrowers by extending maturities/payments or balloon payments because of COVID-19, would the institution be required to make new flood zone determinations and provide new notices of special flood hazards for the extended loans?

Under the federal flood statutes and FCA's implementing regulation, flood insurance requirements are generally triggered upon the making, increasing, renewing, or extending of any designated loan. If an institution modifies a loan by extending the loan term, then this change is a triggering event, and flood insurance requirements would apply, provided no other exception to the requirements under our regulation is applicable. These requirements may include establishing escrow for flood insurance payments and fees, making a flood zone determination on the property securing the loan, or providing the notice of special flood hazards to the borrower. The federal flood statutes and FCA's implementing regulation do not provide for a waiver of these requirements in emergency situations.

However, when exercising supervisory and enforcement responsibilities, we will take into account the unique circumstances impacting borrowers and institutions resulting from COVID-19. We will take into account an institution's good-faith efforts demonstrably designed to support borrowers and comply with the flood insurance requirements. We expect supervisory feedback for institutions to focus on identifying issues, correcting deficiencies, and ensuring appropriate remediation to borrowers.

We do not expect to take an enforcement action against an institution for violating the flood insurance requirements discussed in this supplement, provided that (1) the circumstances were related to COVID-19, (2) the institution made good-faith efforts to support borrowers and comply with the flood insurance requirements, and (3) the institution responded to any needed corrective action. This approach is similar to the approach described in the Federal Reserve's COVID-19 Supervisory and Regulatory FAQs.

Whom do I contact for more information?

If you have any questions regarding this supplement, please email them to ORPMailbox@fca.gov, or contact Ira Marshall, Senior Policy Analyst, Office of Regulatory Policy, at (703) 883-4379, or Jennifer Cohn, Senior Counsel, Office of General Counsel, at (720) 213-0440.