



Selling Notice

June 05, 2019

Acceptability of Private Flood Insurance

The National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended, require owners of residences located in a FEMA-designated Special Flood Hazard Area (SFHA) to obtain flood insurance in connection with certain mortgage loans (including those delivered to Fannie Mae). Amendments enacted as part of the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters Act) require certain lending institutions and Fannie Mae to accept “private flood insurance,” as defined in the Biggert-Waters Act, in satisfaction of the flood insurance requirement.

The Biggert-Waters Act required the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the National Credit Union Administration to develop a regulation applying that Act’s “private flood insurance” requirement for financial institutions subject to their supervision. That regulation becomes effective July 1, 2019. We are not subject to that regulation, nor are we bound by its interpretation of “private flood insurance” required for us under the Biggert-Waters Act. Moreover, the Biggert-Waters Act treats us differently from the lending institutions subject to the new regulation by authorizing us to establish requirements for financial solvency, strength or claims-paying ability for issuers of private flood insurance policies we will accept.

We implemented the private flood insurance provisions of the Biggert-Waters Act applicable to us in 2013. Under our *Selling Guide*, private flood insurance policies may be delivered as an alternative to National Flood Insurance Program (NFIP) policies. To qualify, the terms and amount of coverage must be at least equal to that provided under an NFIP policy based on a review of the full policy issued by the private insurer. In addition, the insurer must meet the rating requirements in the *Selling Guide* for property insurers.

After the federal banking agencies’ regulation becomes effective, we will continue to apply our current *Selling Guide* eligibility standards and procedures to all loans in SFHAs delivered to us, including the ratings requirements for issuers of private flood insurance. Likewise, we will continue to apply our current *Servicing Guide* eligibility and ratings requirements to all loans secured by residences that are in a SFHA at origination, or which are remapped into an SFHA after origination. These requirements apply to each lender and servicer subject to the federal banking agencies’ regulation regardless of the regulatory provision employed by it (that is, “mandatory” or “discretionary”) in complying with the regulation. This applies despite an institution’s reliance on “compliance aid” language in a policy asserting qualification as “private flood insurance” under that regulation.

See the *Selling Guide*, [B7-3-07, Flood Insurance Coverage Requirements](#), and the *Servicing Guide*, [B-3-01, Flood Insurance Requirements Applicable to All Property Types](#), for additional information.

If customers have any questions or concerns regarding their compliance with the new regulation as it relates to our requirements, they should contact their Fannie Mae Account Team, Portfolio Manager, or our Single-Family Servicer Support Center at 1-800-2Fannie (1-800-232-6643).