Re: Best practices for handling flood-insurance renewals (treatment of missing renewal documentation — force-placement during NFIP lapse)

Executive summary

When a borrower's flood policy is up for renewal and the bank does **not** receive renewal documentation showing continuous, adequate coverage, the bank should treat that situation as **no coverage** and — consistent with federal flood regulations and supervisory guidance — begin the force-placement process immediately (subject to your bank's policies and state law). This approach protects the bank's collateral, complies with interagency flood rules, and limits safety-and-soundness exposure. Key regulatory authorities and supervisory guidance cited below support this approach.

Because the National Flood Insurance Program (NFIP) authority lapsed with the federal funding shutdown (effective September 30, 2025), NFIP carriers are pausing new policies and many renewals — a condition that increases the likelihood of renewal documentation delays and gaps. Banks should therefore expect more frequent renewal shortfalls and should document all communications carefully.

NFIP status (impacting renewals)

- As of September 30, 2025, lapse of NFIP authorization, FEMA/NFIP cannot issue new policies or process many renewals until Congress reauthorizes the program; existing policies remain in force only until their current expiration dates. This has been widely reported and summarized by industry and local/state authorities. Expect delays, backlogs, and increased borrower confusion.

Recommended bank policy / operational steps

1. **Treat missing renewal docs as "no coverage" unless bank confirms otherwise.**
   If renewal documentation is not received by the pre-expiration cutoff established in your policy, begin force-placement procedures to protect the collateral. (Regulatory support: 12 C.F.R. §22.7; FDIC handbook.)

2. **Document every attempt to obtain renewal proof.**
   Log calls, emails, certified letters, agent/filer contacts, and timestamps. If NFIP/agent systems show a

CBIZ Borden Perlman
CBIZ Insurance Services, Inc.
200 Charles Ewing Boulevard, Suite 330
Ewing, NJ 08628

Phone: 609.896.3434
Fax: 609.895.1468
cbiz.com/BordenPerlman

pending renewal but no binder or declarations page is available, document that status and your bank's decision rationale. (Useful for examiner review and borrower disputes.)

3. **Send required borrower notices, on your letterhead, immediately.**
   Notices should explain: the bank's determination of insufficient coverage, the borrower's obligation, the bank's intent to force place if no proof received by a stated date, and how to provide proof. Follow any state-specific timing rules and your own policy. (CFPB and agency Q&A explain notice options.)

4. **Purchase force-placed flood insurance to required limits.**
   Use a reputable carrier/market. Ensure the purchased amount meets the lesser of the loan balance or NFIP maximum (or another regulatory requirement). Charge the borrower per your disclosures and servicing rules. Keep premium accounting separate and auditable.

5. **If borrower later produces proof of coverage, terminate/replace force-placed policy and refund/credit overlapping premium per rules.**
   Agencies require that lenders terminate overlapping force-placed policies and refund any unearned premiums where borrower had continuous coverage. CFPB/agency commentary also addresses retroactive billing and refunds.

6. **If NFIP lapse prevents a borrower from renewing with NFIP, evaluate private flood coverage options.**
   Encourage borrowers to seek compliant private flood insurance where available; document the borrower's efforts and why private coverage may be (or not be) acceptable to the bank. Many local authorities and industry groups are advising this as an interim step during NFIP lapses.

7. **Escalate material coordination issues to legal and exam response teams.**
   If a large number of loans are affected by NFIP processing delays (e.g., closings, bulk renewals), coordinate with legal counsel, your primary regulator, and your mortgage insurer/servicer partners to ensure consistent treatment and examiner transparency.

CBIZ Borden Perlman
CBIZ Insurance Services, Inc.
200 Charles Ewing Boulevard, Suite 330
Ewing, NJ 08628

Phone: 609.896.3434
Fax: 609.895.1468
cbiz.com/BordenPerlman