

V. Lending — Flood Insurance

FDPA Model Worksheet

This worksheet is offered as a potential tool for a compliance auditing program when conducting a review of loans that may be subject to flood insurance requirements.

To use the worksheet:

- Select a sample of commercial and consumer loans secured by improved real estate or a mobile home.

NOTE: Loans not requiring the purchase of flood insurance include those:

- Secured by state-owned property subject to an acceptable self insurance policy; or
- With original amounts less than \$5,000 and an original term of less than 1 year.

- Answer the questions as appropriate.

The worksheet is designed as a decision tree that will guide the user through the requirements of the Act.

| Name of Borrower: | | | | | | | | | | |
|--|--------|----|-----|----|-----|----|-----|----|-----|----|
| | Loan # | | | | | | | | | |
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| <p>1. If the loan was made, increased, extended, or renewed before 1/2/96, go to step 2.</p> <p>If the loan was made, increased, extended, or renewed after 1/2/96, did the bank use the Standard Flood Hazard Determination Form to determine if the improved property or mobile home securing the loan is located or will be located in an SFHA?</p> <p>If YES, go to step 1a. If NO, cite violation of §339.6(a). Go to step 2.</p> <p>1a. Did the bank retain a copy of the completed Standard Flood Hazard Determination Form for this loan?</p> <p>If YES, go to step 2. If NO, cite violation of §339.6(b). Go to step 2.</p> | | | | | | | | | | |
| <p>2. Is the improved property or mobile home located in an SFHA?</p> <p>If YES, go to step 2a. If NO, go to step 11.</p> <p>2a. Is the improved property or mobile home located or to be located in a participating community?</p> <p>If YES, go to step 3. If NO, go to step 2b.</p> | | | | | | | | | | |

| Name of Borrower: | | | | | | | | | | |
|--|--------|----|-----|----|-----|----|-----|----|-----|----|
| | Loan # | | | | | | | | | |
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| <p>2b. Is the loan insured or guaranteed by a government agency (e.g., SBA, FHA, VA, etc.)?</p> <p>If YES, document the loan for referral to the government agency. If NO, go to step 3.</p> <p>3. Prior to closing, did the bank give the borrower proper notice that the improved property or mobile home securing the loan is located or will be located in an SFHA?</p> <p>If YES, go to step 3a. If NO, cite a violation of §339.9(a). Go to step 3a.</p> <p>3a. Prior to closing, did the bank notify the borrower about the availability of federal disaster relief assistance?</p> <p>If YES, go to step 3b. If NO, cite a violation of §339.9(b)(4). Go to step 3b.</p> <p>3b. Did the bank retain a record of the borrower's and servicer's acknowledgment of the notice?</p> <p>If YES, go to step 4. If NO, cite a violation of §339.9(d). Go to step 4.</p> | | | | | | | | | | |
| <p>4. If the security property is in a participating community is it insured for flood hazard?</p> <p>If YES, go to step 7. If NO, go to step 5.</p> | | | | | | | | | | |
| <p>5. Did the insurance lapse?</p> <p>If YES, cite a violation of §339.3. Go to step 6. If NO, go to step 10.</p> | | | | | | | | | | |
| <p>6. Did the bank notify the borrower to purchase the insurance within 45 calendar days?</p> <p>If YES, go to step 6a. If NO, cite violation of §339.7. Go to step 6a.</p> | | | | | | | | | | |

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|---|--------|----|-----|----|-----|----|-----|----|-----|----|
| | Loan # | | | | | | | | | |
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| <p>6a. Has the loan been uninsured longer than 45 calendar days after the bank notified the borrower? If YES, cite a violation of §339.3.</p> <p>Go to step 8. If NO, go to step 8.</p> | | | | | | | | | | |
| <p>7. Is the loan covered by an adequate amount of insurance?</p> <p>If YES, go to step 8. If NO, cite violation of §339.3. Go to step 8.</p> | | | | | | | | | | |
| <p>8. Did the loan close on or after 10/1/96?</p> <p>If YES, go to step 8a. If NO, go to step 10.</p> <p>8a. Does the property meet the definition of residential improved real estate per §339.2 (i)?</p> <p>If YES, go to step 8b. If NO, go to step 9.</p> <p>8b. Did the bank require the borrower to escrow taxes, insurance premiums, fees or any other charges?</p> <p>If YES go to step 8c. If NO, go to step 9.</p> <p>8c. Did the bank require flood insurance premiums to be escrowed? If YES, go to step 8d. If NO, cite violation of §339.5. Go to step 9.</p> <p>8d. On designated loans also covered by RESPA, does bank follow provisions of section 10 of RESPA?</p> <p>If YES, go to step 9. If NO, cite violation of HUD's Reg. X, §3500.17. Go to step 9.</p> | | | | | | | | | | |

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|---|-----|----|-----|----|-----|----|-----|----|-----|----|
| Name of Borrower: | | | | | | | | | | |
| Loan # | | | | | | | | | | |
| | Yes | No |
| <p>9. When the bank made, increased, extended, renewed, sold or transferred the loan, did the bank notify the insurance carrier in writing of the loan servicer's identity?</p> <p>If YES, go to step 9a. If NO, cite violation of §339.10(a). Go to step 10.</p> <p>9a. Was the notification within 60 days after the effective date of the change? If YES, go to step 10. If NO, cite violation of §339.10(b). Go to step 10.</p> | | | | | | | | | | |
| <p>10. Are the fees charged to the borrower for flood determinations (may include life of loan monitoring service) reasonable?</p> <p>If YES, go to step 11. If NO, cite violation of §339.8(a). Go to step 11.</p> | | | | | | | | | | |
| <p>11. Summarize your findings.</p> | | | | | | | | | | |