

FORCE-PLACING HAZARD AND FLOOD INSURANCE

**FLORIDA BANKERS ASSOCIATION
CONSUMER COMPLIANCE
CONFERENCE**

1

2

SPEAKERS



Teshale Smith
Senior Counsel
American Bankers Association



Kirk Stephens, CRCM
Chief Compliance Officer
Steamboat Group

2

1

AGENDA

- Overview of 2025 Enforcement Actions
- Force-Placement Requirements: Flood
- Force-Placement Requirements: Hazard
- Force Placement Examples
- Audience Q&As

2025 FLOOD ENFORCEMENT ACTIONS

DATE	AGENCY	ASSETS (k)	CMP
02/24/2025	FRB	\$23,601,114	\$15,500
03/06/2025	FDIC	\$448,959	\$12,750
03/07/2025	FDIC	\$666,127	\$13,000
03/10/2025	FDIC	\$385,612	\$7,500
03/14/2025	FDIC	\$686,240	\$17,000
04/07/2025	FDIC	\$134,606	\$16,750
04/07/2025	FDIC	\$155,780	\$3,250
04/28/2025	FDIC	\$69,490	\$75,500
06/03/2025	FDIC	\$766,608	\$15,000
06/16/2025	FDIC	\$70,777	\$3,750
09/12/2025	FRB	\$194,629	\$6,000
09/12/2025	FRB	\$84,664	\$6,750

Overview of Violations in Enforcements

- Failing to follow required force placement procedures
- Failing to follow required force placement notification procedures
- Failing to provide borrowers with required notices
- Failing obtain insurance or lacking adequate insurance at or before loan origination, increase, extension, or renewal

FORCE PLACEMENT: FLOOD

5

Initiation of Force Placement

Force placement is required when the bank determines that the collateral securing the loan is uninsured or underinsured – regardless of whether a MIRE event occurred.

Upon determination, must provide written borrower notice that flood insurance is required and existing coverage is insufficient.

A courtesy notice may be sent prior to a policy expiration, but another notice must be sent upon determining the policy lapsed or is insufficient.

Once the required notice is sent, the bank must FPI if adequate coverage is not obtained within 45 days, and may not restart or extend the notice period by issuing additional notices based on subsequent coverage determinations.

Required Coverage + Charges

The coverage amount must equal the lesser of: (1) outstanding principal balance (OPB) of the loan or (2) max NFIP coverage available.

If the bank intends to capitalize the premium for the force-placed policy into the OPB, the force placed policy amount must be sufficient to cover the anticipated higher OPB, including the force-placed policy premium, even if the capitalization of the force-placed premium is not considered a triggering event.

A bank may obtain FPI policy and charge the borrower for the cost of premiums and fees incurred by purchasing the flood insurance at any time starting from the date on which the flood insurance coverage lapsed or was deemed insufficient. May backdate policies to the date of lapse/insufficiency.

Map-Ins + Cancellations + Map Outs

Map-ins are not MIRE events but trigger force placement requirements. When a lender receives advance notice that a property will be remapped into an SFHA, the remapping's effective date is the point at which the lender must assess whether sufficient flood insurance is in place. If, as of that date, coverage is insufficient, the bank must initiate the force-placement process.

Upon receipt of acceptable borrower coverage, force-placed policy must be cancelled, and any overlapping premiums/fees must be refunded within 30 days of receipt. Acceptable evidence of an existing policies includes dec page, evidence for new policy includes application and premium receipt.

If a property is remapped out of a SFHA, banks are not required to maintain force-place insurance, borrowers may be notified of the change and may choose to retain coverage.

5

FORCE PLACEMENT: HAZARD

6

General Requirements

Reg X force placement requirements apply to property (hazard) insurance, does not apply to insurance required by the FDPA.

Applies to federally related mortgage loans (not HELOCs for notice requirements).

Before charging borrower, servicer must have a reasonable basis borrower failed to maintain coverage. Charges must be bona fide and reasonable; must reflect services actually performed. Retroactive charges permitted unless prohibited by law.

If proof of coverage received, force placed policy must be canceled within 15 days and any overlapping premiums/fees refunded. Acceptable evidence includes dec page, insurance certificate, or policy/similar written confirmation.

Notice Requirements

Before charging a borrower, servicer must also send two notices to the borrower. Notices must be sent by first-class mail or better. No additional content allowed on the notices itself (may include account#).

45-Day Notice. Must be sent at least 45 days before assessing premium/fee; content and format strictly limited to Reg X requirements; Model Form MS-3A apply.

15-Day Reminder Notice. Must be sent at least 30 days after the 45-Day Notice and at least 15 days before charging; content depends on whether the borrower has provided some insurance information; Model Forms MS-3B and MS-3C apply.

Renewal Notice. Must be sent at least 45 days before charging for renewal policy(1x year); Model Form MS-3D apply.

Escrow Requirements

If borrower is more than 30 days delinquent, and escrows, servicer must advance hazard insurance premiums if escrow funds are insufficient.

Servicer may force-place only if it is unable to disburse escrow funds, such as: policy canceled or not renewed (other than nonpayment) or property is vacant.

Advanced funds may generally be recovered from the borrower if permitted.

Servicers must continue advancing payment for non-vacant properties, even in foreclosure. Policies must be maintained until payoff, release, or servicing transfer.

Small servicers exempted from escrow advancements if force-placed coverage is cheaper for the borrower.

6

EXAMPLE #1: ADVANCE MAP-INS

- The bank services a portfolio of residential and small business loans.
- In January 2026, FEMA provides advance notice that a new flood map for Clearwater County will take effect on June 1, 2025, moving several properties into Special Flood Hazard Areas.
- Among the affected loans is a \$450,000 residential mortgage to the Millers. Their property is currently in Zone X, but under the new map, it will be reclassified as Zone AE.
- The bank's loan servicing department receives the advance notice in April.
- The servicing department reviews the file and confirms there is no existing flood policy because the property was not previously in a mandatory zone.
- **To stay ahead of compliance risk, the bank wants to act before the June 1 effective date, but is uncertain about when the flood coverage must actually be in place and when the 45-day force-placement notice should be sent.**

7

7

EXAMPLE #2: LAST-MINUTE POLICY⁸

- The bank services a \$325,000 residential mortgage on a single-family property located in SFHA.
- During an annual escrow review, the bank determines that the borrower's NFIP policy has expired and no renewal evidence has been received.
- On June 1, the bank mails the required 45-day force-placement notice.
- By July 16, no proof of coverage has arrived, so on July 17, the bank purchases force-placed flood insurance through its vendor for \$250,000 in building coverage.
- Five days later, on July 22, the borrower emails a policy declarations page showing a new NFIP policy with identical coverage limits, effective July 14 (two days before the force-placed policy).
- **Should the bank cancel the force-placed policy and refund premiums, or is more documentation needed?**

8

EXAMPLE #3: ESCROW ADVANCES

- A bank services a residential mortgage secured by a single-family property located in a Special Flood Hazard Area, and the loan includes an escrow account for taxes and insurance.
- The borrower is 45 days delinquent on the mortgage payment, and the annual hazard insurance premium becomes due.
- Although the escrow account balance is insufficient to cover the premium, the servicer receives notice from the insurer that the policy will cancel if payment is not made.
- **Must the servicer advance payment on the hazard insurance premium?**

9

9

EXAMPLE #4: CONDOMINIUMS

10

- A bank services a \$300,000 residential mortgage on a condominium unit in the Harborview complex, a 50-unit building located in a SFHA.
- The condominium association maintains an NFIP Residential Condominium Building Association Policy (RCBAP) with \$8 million in total coverage (\$160,000 per unit), while the building's full replacement cost value is \$10 million (\$200,000 per unit).
- The borrower's outstanding loan balance is \$300,000; the maximum flood insurance available under the NFIP is \$250,000; and the unit's insurable value is \$200,000.
- **If the borrower does not maintain any unit-level flood insurance, does the existing RCBAP alone satisfy the lender's obligations under the FDPA and applicable GSE servicing requirements, or must the servicer force-place supplemental flood insurance at the unit level to cure a coverage shortfall?**

10

EXAMPLE #5: HAZARD NOTICES AND PREMIUM

- A bank services a residential mortgage secured by a single-family property.
- The hazard insurance expired on January 1, and the bank sent the first notice in accordance with Reg X (RESPA) on January 5 and a second notice Per Reg X on February 10.
- The bank did not receive insurance from the borrower, and lender placed the hazard insurance on February 27.
- The bank realized that the second notice sent to the borrower did not disclose the premium amount.
- **Is the timing of the notices in compliance with Reg X (RESPA)?**
- **Can the bank charge the borrower for the lender placed insurance in this example?**

11

11

COMPLIANCE RESOURCES

12

- **FDPA Compliance Resources**
 - [2022 Interagency Questions and Answers Regarding Flood Insurance](#)
 - [Federal Reserve: Regulation H Flood Disaster Protection Act](#)
 - [FDIC: Flood Disaster Protection Act](#)
 - [OCC: Flood Disaster Protection Act](#)
- **RESPA Compliance Resources**
 - [CFPB – Interactive Regulations – Regulation X – 1024.37 Force-Placed Insurance](#)
 - [CFPB Mortgage Servicing Small Entity Guide : Section 8: Force-Placed Insurance](#)
 - [Interagency Examination Procedures – RESPA : Force-Placed Insurance – 12 CFR 1024.37](#)

12

QUESTION FOR THE AUDIENCE

Does your bank permit the use of ACORD forms or other Evidence of Insurance (EOI) to evidence flood insurance renewal coverage, rather than a declarations page?

If so, how do you assess adequacy?

AUDIENCE Q&AS

THANK YOU

Teshale Smith
tsmith@aba.com
202-663-5089
aba.com

Kirk Stephens
kstephens@steamboatIS.com
202-663-5089
www.steamboatIS.com