

PFI Advisory

December 30, 2002

Special Attention:

PFI's MPF Program Management, Origination Management, and Servicing Management

Subject:

Flood Insurance Requirements during NFIP Lapse

The current authorization for the National Flood Insurance Program (NFIP) to issue new flood insurance policies will expire on December 31, 2002. The Federal Insurance and Mitigation Administration (FIMA) of the Federal Emergency Management Agency expects a short hiatus until Congress re-authorizes the NFIP retroactive to January 1, 2003 when it reconvenes in January.

This policy applies to loans requiring flood insurance originated during the NFIP lapse period. PFIs may continue to deliver such loans to their MPF Bank subject, however, to the terms of this PFI Advisory. PFIs must continue to make flood determinations, provide required notices to borrowers, and comply with other parts of the flood insurance guidelines provided in Chapters 15 and 27.9 of the Origination Guide during the lapse period. The PFI must take all steps necessary to obtain flood insurance for Mortgaged Properties requiring the same, maintaining evidence of such steps in the Mortgage File, in order to facilitate the issuance of coverage once the NFIP insurance authority is renewed. PFIs must have a system in place to ensure that policies are obtained as soon as available following re-authorization for Mortgaged Properties subject to mandatory flood insurance coverage.

If a flood-related loss occurs to any above referenced Mortgaged Properties which is not retroactively covered by FIMA, such loss must be borne by the PFI. An uninsured flood-related loss will not be deemed a Realized Loss under the MPF credit enhancement structure.

If you have any questions about these guidelines, please contact your MPF Bank Representative or call the MPF Customer Support Desk at 877-INFO-MPF (877-463-6673).