

March 24, 2000

David J. Koukol, Esq.
Raynor, Rensch & Pfeiffer
440 Miracle Hills Executive Center
11422 Miracle Hills Drive
Omaha, Nebraska 68154-4466

Re: Flood Insurance Exemptions.

Dear Mr. Koukol:

You have asked whether the flood insurance requirements apply to a home equity loan used to purchase a vehicle, where the vehicle fully secures the loan but a lien is also placed on the member's home. Yes, the flood insurance regulations apply even though the collateral provides excess security on the loan amount. 12 C.F.R. §760.3.

A federally-insured credit union may make a loan secured by real and personal property located in a special flood hazard area, provided that flood insurance covers the collateral. 12 C.F.R. §760.3(a). Flood insurance is not required for loans that are otherwise covered by the regulation if: (1) the property securing the loan is state-owned and covered under a satisfactory self-insurance policy; or (2) the loan has a repayment term of one year or less with an original principal balance of \$5,000 or less. 12 C.F.R. §760.4. As such, the flood insurance requirements apply to a loan, not otherwise exempt, even when the lender takes an additional security interest in real property for a loan that is already fully collateralized. For further discussion of this analysis, please see the Federal Emergency Management Agency's "Mandatory Purchase of Flood Insurance Guidelines" (1999), page 20.

You also asked if the National Credit Union Administration (NCUA) has granted any exceptions for these kinds of loans. The National Flood Insurance Act establishes the mandatory insurance requirements, and the NCUA does not have the authority to grant waivers. The only exemptions, as noted above, are found in 12 C.F.R. §760.4.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/CJL:bhs
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