



Flood Insurance Penalties Rise a Lot!

*The Biggert-Waters Flood Insurance Reform and Modernization Act of 2012 (Biggert-Waters) extended the federal flood insurance program for five more years. Buried deep in that statute, is a tiny little section that got overlooked in many of the news reports. In a very few words, it more than quintuples the per-violation civil money penalty for noncompliance with the flood insurance rules and does away with the previous cap of \$135,000 in penalties per calendar year per financial institution. Result? You can be a **much** bigger help in reducing the federal government's debt and deficit!*

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The revisions to the flood CMP rules are found in Biggert-Waters section 100208. (That's not a typo; the section number really is six digits long.) It merely says that section 102(f)(5) of the Flood Disaster Protection Act is amended:

“(1) in the first sentence, by striking ‘\$350’ and inserting ‘\$2,000’; and

“(2) by striking the second sentence.”

The \$350 figure was the original amount of the flood CMP. It's been adjusted for inflation so that it stood at \$385 when Biggert-Waters became law. An increase to \$2,000 means it's now been raised to over five times the previous figure.

That second sentence, the one that was struck, contained the maximum limit of \$100,000 in CMPs per institution, per calendar year. (It had been inflation-adjusted, as well, to \$135,000.) Striking the cap means that flood CMPs will no longer stop at the current 350 flood violations per institution, per year. The per-violation penalty can continue to be applied (and at the new \$2,000 rate!) for **every** violation, without **any** limit at all. There's no delayed effective date in the law, so this change apparently took effect immediately upon signature by President Obama on July 6, 2012.

Link to the Biggert-Waters Act: <http://www.gpo.gov/fdsys/pkg/BILLS-112hr4348enr/pdf/BILLS-112hr4348enr.pdf>

(Scroll 'way down to the bottom of page 515 to see section 100208.)

If your institution is a member and you have any questions, please call us at (800) 547-2462 or email us at compliance@fisregulatory.com.