

Announcement # 23-04

Date: January 20, 2023

FHA ML 2022-18 Acceptance of Private Flood Insurance

Effective immediately, Pennymac is aligning with the published FHA Federal Register final rule, *Acceptance of Private Flood Insurance for FHA-Insured Mortgages* as well as Mortgagee Letter 2022-18 which provides the guidance needed to implement the provisions in the final rule.

The final rule updates FHA regulations to allow borrowers the option to purchase a comparable Private Flood Insurance (PFI) policy meeting FHA requirements in lieu of a National Flood Insurance Program (NFIP) policy for all FHA-insured Single Family Title II mortgages secured by properties located in Federal Emergency Management Agency (FEMA) designated Special Flood Hazard Areas (SFHAs).

The PFI policy must meet **all** the specific requirements outlined in mortgagee letter 2022-18. Please refer to the ML for complete details.

FHA has also provided a PFI Policy Compliance Aid that states, "This policy meets the definition of private flood insurance contained in 24 CFR 203.16a (e) for FHA-insured mortgages." The Compliance Aid may be issued by the private insurance provider, attesting that a PFI policy meets the requirements of flood insurance. If the Compliance Aid is provided, it may be relied on by the lender to support compliance with the FHA PFI Policy requirements.

Please contact your Sales Representative with any questions.