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FLOOD INSURANCE

Extent of Noncompliance with Purchase Requirements Is Unknown



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Abbreviations

FDIC	Federal Deposit Insurance Corporation
FEMA	Federal Emergency Management Agency
FRB	Federal Reserve Board
GSE	government-sponsored enterprises
HMDA	Home Mortgage Disclosure Act
HUD	Department of Housing and Urban Development
IG	Office of the Inspector General
MSA	metropolitan statistical area
NFIP	National Flood Insurance Program
OCC	Office of the Comptroller of the Currency
OFHEO	Office of Federal Housing Enterprise Oversight
OTS	Office of Thrift Supervision
SFHA	special flood hazard area
SFHDF	standard flood hazard determination form
VA	Department of Veterans Affairs



G A O

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United States General Accounting Office
Washington, DC 20548

June 21, 2002

The Honorable Barbara A. Mikulski
Chairman
The Honorable Christopher S. Bond
Ranking Member
Subcommittee on VA, HUD, and Independent Agencies
Committee on Appropriations
United States Senate

The Honorable Paul S. Sarbanes
Chairman
The Honorable Phil Gramm
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Charles E. Schumer
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The Honorable Jim Bunning
Ranking Member
Subcommittee on Economic Policy
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United States Senate

Floods have inflicted more economic losses upon the United States than any other natural disaster. Since its inception 34 years ago, the National Flood Insurance Program (NFIP) has combined flood hazard mitigation efforts and insurance to protect homeowners against losses from floods. The program, which is administered by the Federal Emergency Management Agency (FEMA), provides an incentive for communities to adopt floodplain management ordinances to mitigate the effects of flooding upon new or existing structures. It offers property owners in participating communities a mechanism—federal flood insurance—to cover flood losses without increasing the burden on the federal government to provide disaster relief payments. Virtually all communities in the country with flood-prone areas now participate in the NFIP, and over 4 million U.S. households have flood insurance. Nevertheless, the President's proposed budget for 2003 characterizes the NFIP as “moderately effective,” because many at-risk properties remain uninsured. The proposed budget establishes a goal to increase the number of flood insurance policies in force by 5 percent in 2003 and would increase

funding for flood zone mapping activities to better identify at-risk properties.

While the assessment and goal described in the proposed budget apply to the entire NFIP, the success of a particular component of the program—the mandatory purchase requirement—has been the subject of debate for many years. Since 1973, flood insurance has been required for properties located in flood-prone areas of participating communities for the life of mortgage loans made or held by federally regulated lending institutions¹ or guaranteed by federal agencies. Mortgages purchased by government-sponsored enterprises (GSE) were also included under the National Flood Insurance Reform Act of 1994.² In 1990, we reported that differing viewpoints had emerged about whether all homeowners required to obtain flood insurance actually had it;³ these differences of opinion still remain. Lending institutions and companies that hold or service mortgages on properties that must have flood insurance are responsible for ensuring that this insurance is purchased when the mortgage is originated and maintained over the life of the loan. The federal bank regulators overseeing these lending institutions believe that there is a generally high level of compliance with the flood insurance purchase requirements. Reports issued by FEMA's Office of Inspector General (IG) and others, however, have questioned whether the requirements are being met, and FEMA therefore has stated that noncompliance rates might be significant. Still, no definitive analysis has been conducted that measures the extent to which property owners who are required to purchase flood insurance actually do so.

Concerned about whether lender noncompliance could be high, the Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations, mandated that we examine lender compliance with the mandatory insurance purchase requirement. Additionally, the Senate Committee on Banking, Housing, and Urban Affairs and its Subcommittee on Economic Policy asked us to review this issue. As agreed with your offices, this report addresses the following questions:

¹A federally regulated lending institution is any bank, savings and loan association, credit union, farm credit bank, federal land bank association, production credit association, or similar institution supervised by a federal entity for lending regulation.

²A GSE is a privately owned, federally chartered corporation that serves a public purpose.

³U.S. General Accounting Office, *Flood Insurance: Information on the Mandatory Purchase Requirement*, GAO/RCED-90-141FS (Washington, D.C.: Aug. 22, 1990).

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1. What are the bases for the differing perspectives on lender noncompliance?
 2. What does other readily available data indicate about the extent of noncompliance?
 3. What data would be needed to fully measure noncompliance?

To address these objectives, we spoke with and obtained information from FEMA, federal regulators of lending institutions, GSEs, flood zone determination companies, mortgage companies, and others to obtain perspectives and to collect readily available data on lender noncompliance. We also obtained and analyzed home mortgage origination data and flood insurance policy data for certain flood-prone areas to obtain an independent perspective on the extent of noncompliance at the time mortgages are made. However, this analysis could not match specific mortgages with insurance policies to determine a compliance level. Moreover, data were not available to determine whether insurance was in force at loan origination for all geographic areas or during the life of the mortgage loan; therefore, we could not analyze all aspects of noncompliance with the mandatory purchase requirements. This report focuses on the activities of the following regulatory agencies that have regulatory authority over most of the pertinent mortgage market: the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS). We also focused on the two GSEs that have direct responsibility for compliance—the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Our work focused only on compliance with mandatory flood insurance purchase requirements for residential properties. No analysis is provided in this report about participation rates in the NFIP, a measure that encompasses homeowners in flood-prone areas who are not required to obtain flood insurance. We testified about participation rates in May 2001.⁴ See appendix I for more details on our scope and methodology.

We conducted our review from April 2001 through April 2002 in accordance with generally accepted government auditing standards.

⁴U.S. General Accounting Office, *Flood Insurance: Emerging Opportunity to Better Measure Certain Results of the National Flood Insurance Program*, GAO-01-736T (Washington, D.C.: May 15, 2001).

Results in Brief

The different types of evidence collected by bank regulators and GSEs on the one hand, and FEMA on the other, are the bases for their opposing perspectives on lender noncompliance with flood insurance purchase requirements. Federal organizations responsible for overseeing lenders use bank examinations and loan portfolio reviews to examine a nonstatistical sample of loans for compliance. These organizations have uncovered few significant violations, leading them to believe that lenders are complying with flood insurance purchase requirements. In contrast, FEMA relies on its own noncompliance estimates that are based on data generated itself and other entities, limited studies it conducted, and anecdotal evidence from public officials and others with knowledge of the program to gauge noncompliance. These data have indicated to FEMA officials that lenders are not adequately complying with the requirements.

Our analysis of readily available data does not suggest a major noncompliance problem at loan origination in the highly flood-prone areas we reviewed. We obtained and analyzed readily available 1999 data on the number of new mortgages reported by lenders and new flood insurance policies as reported by FEMA for the nation's most flood-prone areas. Our comparison of the number of new mortgages and policies for 471 highly flood-prone areas in 17 states does not suggest that noncompliance was a major problem in these areas because, for most of the areas, more insurance policies were purchased than mortgages originated. In 44 locations—9 percent of the areas we analyzed—the data suggest there could be some noncompliance because, in those areas, fewer insurance policies were purchased than mortgages originated. However, explanations exist that may account for these areas having fewer new policies than mortgages, such as mortgages originated for condominiums, which have different flood insurance purchase requirements.

Property-specific data on mortgages, flood zone determinations, and flood insurance policies—compiled at loan origination and at various points during the life of the loan—would be needed to fully measure compliance. These data are needed to ensure that homeowners purchase, maintain, and do not terminate flood insurance when it is required. Comparing these data would allow the computation of compliance rates nationally, regionally, or locally and would—with an additional piece of data, the mortgage lender identification numbers—identify specific noncomplying lenders. However, there are a number of challenges to obtaining and analyzing these data. These challenges include establishing reporting requirements on lenders to provide relevant mortgage data, determining an appropriate authority to receive and compare these data, and determining the costs and benefits of obtaining these data. The regulators

and GSEs, on the one hand, and FEMA, on the other, have differing viewpoints of the viability of and the need for obtaining these data.

We provided a draft of this report to FEMA, federal bank regulatory agencies—FDIC, FRB, OCC, and OTS—and GSEs—Fannie Mae and Freddie Mac—that are responsible for the issues discussed in this report. All of these organizations generally agreed that the report (1) presents an accurate and objective presentation of the differing perspectives on noncompliance with the mandatory purchase requirements and (2) narrows the concerns over noncompliance to the area of policy renewals and retention. FEMA also provided additional information regarding its belief that problems exist with insurance policy retention and its plans to address this concern. Additionally, several organizations provided technical comments that we considered and incorporated in the report where appropriate.

Background

Created by the National Flood Insurance Act of 1968,⁵ the NFIP is designed to protect homeowners from flood losses while also minimizing the exposure of property to flood damage. To participate in the program, communities must adopt and enforce floodplain management ordinances to mitigate the effects of flooding on new or existing homes in special flood hazard areas (SFHA). Flood insurance is available in communities participating in the NFIP and is offered to eligible homeowners for homes and their contents. FEMA, through its Federal Insurance and Mitigation Administration, manages the federal flood insurance program and floodplain mitigation programs.

When the program was created, the purchase of flood insurance was voluntary. To increase the impact of the program, however, the Congress amended it in 1973 and in 1994 to require the purchase of flood insurance by many homeowners and to place the onus for ensuring compliance upon lending institutions. Currently, homeowners in SFHAs in participating communities must purchase flood insurance as a condition of obtaining mortgages on their homes if the loans are

- made, increased, extended, or renewed by federally regulated lending institutions;

⁵P.L. 90-448.

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- sold to Fannie Mae or Freddie Mac;⁶ or
 - made, insured, or guaranteed by a federal agency, such as the Small Business Administration, Federal Housing Administration, or the Department of Veterans Affairs.⁷

No definitive data on the number of mortgages meeting these criteria exist; however, on the basis of 1999 data reported by lenders, most mortgaged properties meet the above criteria and, if in a SFHA, would be subject to the requirements of the National Flood Insurance Act.

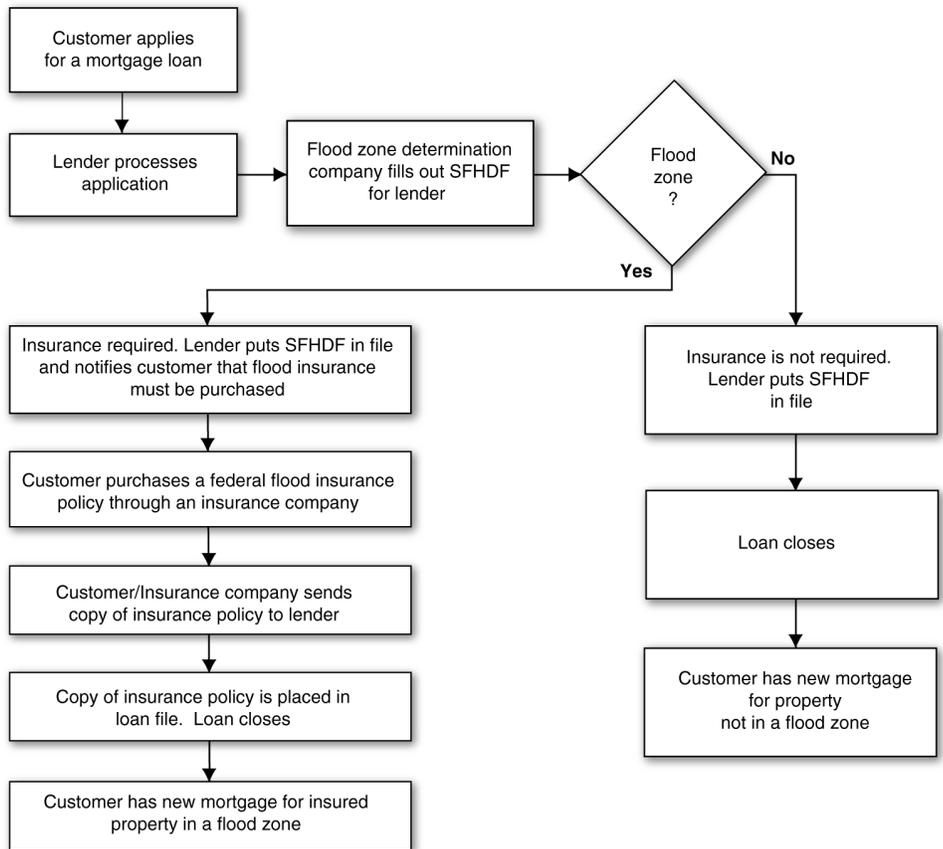
Federally regulated lending institutions—which make most of the mortgages in the United States—and loan servicers⁸ must ensure that, where required, flood insurance is purchased at the time that the mortgage is obtained and maintained throughout the life of the loan, or added if the residence involved is reclassified as being located in a SFHA. They may not make, increase, extend, or renew a loan secured by a structure located in a SFHA in a participating community unless the structure is covered by flood insurance. Lenders generally purchase flood zone determinations from flood zone determination companies that use FEMA flood maps and other data to ascertain if properties are situated in flood zones. The companies record the results of their determinations on a standard flood hazard determination form (SFHDF) and provide this form to lenders, who are required to maintain it. Figure 1 shows the process that lenders generally follow for obtaining and recording flood zone determinations as part of their mortgage approval process.

⁶Fannie Mae and Freddie Mac are GSEs chartered by the Congress to support residential housing by providing a secondary market for mortgages.

⁷There are some exceptions to these requirements. A property that meets all of these criteria may be exempted if it can be proven that the property's elevation actually exceeds the flood plain even though it is not accurately recorded on the flood map. In such cases, FEMA issues letters of map amendment or letters of map revision. Conversely, homeowners without mortgages or whose mortgages are not made by regulated lenders may be required to purchase and maintain flood insurance as a condition of accepting federal disaster relief.

⁸A servicer is the entity responsible for (1) receiving any scheduled, periodic payments from a borrower under the terms of a loan, including amounts for taxes, insurance premiums, and other charges with respect to the property securing the loan; and (2) making payments of principal and interest and any other payments from the amounts received from the borrower as may be required under the terms of the loan. Some lenders do their own servicing, while others sell the servicing rights to loans in their portfolio.

Figure 1: Flood Zone Determination Portion of the Lender Mortgage Approval Process



Legend:

SFHDF standard flood hazard determination form

Source: GAO analysis of information provided by FEMA, federal regulatory, insurance, and mortgage loan-servicing officials.

If a lender or servicer determines at any time during the life of the mortgage that a property is located in a SFHA—even if a flood zone remapping places it in a SFHA after the mortgage was first originated—the lender or servicer must ensure the purchase of the appropriate flood insurance.

The federal agencies that regulate lending institutions and the GSEs were also given certain compliance responsibilities. As required by the 1994 amendments to the National Flood Insurance Act, the regulatory agencies

established rules directing lending institutions not to make loans secured by improved real estate located in SFHAs unless flood insurance had been purchased. The regulatory agencies are to examine loans for compliance with these regulations during their periodic examinations of member financial institutions, using uniform policies and procedures for assessing lender compliance with flood insurance requirements. The GSEs were required to implement procedures reasonably designed to ensure that flood insurance coverage exists for any purchased loan that is secured by improved real estate located in a SFHA. The GSEs have established flood insurance purchase requirements to be followed by institutions that sell mortgages to them or service mortgages for them and have procedures in place to assess loans for compliance. Appendix II contains additional information on bank examination procedures and processes, and appendix III contains additional information on the review and audit procedures followed by GSEs.

Noncompliance Debate Is Based on Differing Types of Data

Officials involved with the flood insurance program developed contrasting viewpoints about whether lenders are complying with flood insurance purchase requirements primarily because the officials use differing types of data to reach their conclusions. Federal bank regulators and officials from Fannie Mae and Freddie Mac base their belief that lenders are generally complying with the NFIP's purchase requirements on regulators' examinations and GSEs' reviews conducted to monitor and verify lender compliance. In contrast, FEMA officials believe that many lenders frequently are not complying with the requirements, which is an opinion based largely on noncompliance estimates computed from data on mortgages, flood zones, and insurance policies; limited studies on compliance; and anecdotal evidence indicating that insurance is not in place where required. Neither side, however, is able to substantiate its differing claims with statistically sound data that provide a nationwide perspective on lender noncompliance.

Bank Exams and Compliance Reviews Are Bases for Regulators and GSEs' Views on Noncompliance

On the basis of their bank exams and compliance reviews, bank regulators and GSE officials believe that the rates of noncompliance with flood insurance purchase requirements are very low. According to representatives of the regulatory agencies, very few violations of flood insurance requirements have occurred. Moreover, according to the bank regulators' 1994-2000 annual reports to the Congress, most of the violations found during examinations have been of a technical nature, such as improperly completing necessary forms or not giving borrowers timely notification that the property is in a flood zone before the loan

closing date. More serious violations, such as failure to confirm that insurance is in place when required, or failure to obtain a flood zone determination for a property, have been infrequently detected during examinations. For example, since 1996, the bank regulators have levied 51 civil monetary penalties on lending institutions that committed serious violations of flood insurance requirements. Fannie Mae and Freddie Mac may force lenders who sell loans to repurchase a loan if their requirements for flood insurance are not met. Both enterprises told us that this action has rarely occurred because instances of noncompliance are almost always corrected by the lenders.

Similarly, the bank regulators' examiners and managers responsible for conducting bank examinations that we talked to said lending institutions are doing a good job of complying with flood insurance requirements. In general, the examination process involves field examiners assessing a lending institution's procedures for ensuring compliance with the flood insurance requirements and checking a sample of loan files to verify that the procedures are routinely followed. According to the examiners, lending institutions are familiar with the stipulations of various consumer compliance laws and fulfilling the requirements for flood insurance has become a standard procedure in mortgage lending. Bank regulatory and industry officials have stated that completing standard flood hazard determination forms and ensuring that borrowers obtain flood insurance for properties where it is required are standard business practices for lenders. They added that at larger lending institutions, automated systems typically track borrowers' flood insurance policies throughout the life of a loan.

Nevertheless, the regulatory agencies and GSEs acknowledge that complete data on compliance do not exist and the data they obtain from bank examinations are not statistically representative of compliance either for the bank or the country. Regulators and GSEs do not use a statistical sample of loans when examining for flood insurance compliance. Their findings at a lending institution, or even from all of the lending institutions that they regulate, therefore, cannot be generalized to the industry. Examining for compliance with flood insurance purchase requirements is but one of approximately 20 different laws and regulations—such as those relating to equal opportunity lending, truth-in-lending, and debt collection practices—included in compliance examinations. Staff of one regulatory agency told us that obtaining a statistically valid sample for any of these issues would require examination of many more loans than currently inspected and would seriously threaten their ability to examine bank compliance with other requirements. They do not believe it would be

prudent or cost-effective to review a statistically valid sample of loans for compliance with NFIP regulations without stronger evidence of widespread noncompliance.

Estimates, Studies, and Contacts with Local Officials Are Bases for FEMA Views on Noncompliance

FEMA officials disagree with bank regulators and GSEs about the level of overall lender compliance with flood insurance requirements. Although FEMA officials believe that lenders have been doing a better job of ensuring the purchase of flood insurance in recent years, they also believe that noncompliance rates are still significant. FEMA officials base their opinion on three factors: (1) their estimate of the aggregate number of homeowners who live in flood zones, have federally backed mortgages and, therefore, are required to have flood insurance compared with the number of flood insurance policies in force; (2) a small number of relevant, but limited, studies; and (3) anecdotal information obtained from conversations with local government officials and others knowledgeable about the flood insurance program.

FEMA does not have information on the individual properties that should be covered by flood insurance, but it has estimated the number of properties that should be insured. Using that estimate, it developed an overall estimate of noncompliance indicating that many properties do not have the required insurance. According to FEMA's estimate, in fiscal year 2000 nearly one out of three homes required to have flood insurance did not have it. On the basis of Mortgage Bankers Association data on homes and mortgages, U.S. Corps of Engineers data on the percentage of structures located in SFHAs, and its own insurance policy data, FEMA estimates that less than 2.9 million flood insurance policies have been issued for over 4.3 million mortgaged properties in SFHAs. According to this estimate, nearly 1.4 million—32 percent—may not have flood insurance. FEMA officials acknowledge that an accurate rate of noncompliance will not be known until mortgage data are linked to flood insurance policy data. They nevertheless believe that the estimate indicates a potentially significant noncompliance problem.

FEMA officials point out that two studies the agency conducted also indicate noncompliance with the mandatory purchase requirement. A 1999 study conducted by a FEMA regional office and a 2000 study by the FEMA IG assessed specific areas to determine the number of homes that had

flood insurance.⁹ The two studies examined different localities, but each found a portion of sampled properties—as high as 45 percent in the regional office study—that did not have the required insurance, as discussed below.

- A post-disaster compliance study issued in April 1999 by one of FEMA’s regional offices assessed rates of noncompliance after a 1998 flood in Vermont. The study examined 120 properties located in a SFHA and found that 54—or 45 percent—had mortgages from a federally regulated institution and should have had insurance but did not. Moreover, the study found that the federal government provided \$500,000 in disaster assistance to these properties—assistance funds that would not have been paid had these properties been insured.
- An August 2000 IG study examined the rate of noncompliance for 4,195 residences located in SFHAs in 10 states. The study found that for these residences, about 416—or 10 percent—were required to have flood insurance but did not. For example, a North Carolina subdivision that had been built in a SFHA in 1996 contained 27 uninsured homes of which 20 had a mortgage from a federally regulated lending institution. The study also noted that statistics for that state showed that of about 150,000 structures located in SFHAs, only 33 percent were covered by flood insurance.

In addition to these analyses, FEMA officials cite the results of studies conducted by private companies after presidentially declared disasters in North Dakota and Kentucky that found that from 28 to 38 percent of the properties sampled did not have flood insurance.¹⁰ While neither of these studies took into consideration whether the homeowners without flood insurance had mortgages from regulated lenders, FEMA officials believe that it is reasonable to assume that this indicates a potential problem with compliance since a large percentage of the homes in this country have mortgages from regulated lenders.

⁹FEMA Office of Inspector General, *Opportunities to Enhance Compliance with Homeowner Flood Insurance Purchase Requirements*, I-02-00 (Washington, D.C.: Aug. 2000). FEMA Region I, *Vermont Lender Compliance with the Flood Disaster Protection Act of 1973 and the Title V of the Riegle Community Development and Regulatory Improvement Act of 1994*, DR-1228-VT (Boston, Mass.: Apr. 1999 Draft).

¹⁰The sampled properties were located within the SFHA.

Finally, FEMA officials stated that their concerns about lender compliance are bolstered by anecdotal evidence they have obtained during FEMA-sponsored workshops and field visits and from insurance and flood zone determination industry officials. For example, during a NFIP lender-training workshop that we observed, bank employees discussed with FEMA officials examples of noncompliance that were known but not corrected. The bank employees said that they have observed instances in which other bank officials discovered that a home required flood insurance when its owner sought to refinance the mortgage it had with the bank. When the owner decided not to refinance, the bank officials did not require the purchase of the flood insurance to protect the existing loan, even though the law mandates such purchase. Similarly, when providing assistance in presidentially declared disaster areas, FEMA officials have heard accounts of flood victims who should have been required by their lender to have flood insurance but were not told that they needed it. Moreover, representatives of the insurance and determination industries told us they consistently informed FEMA that they believe the extent of noncompliance is a problem.

FEMA officials acknowledge that their opinions on compliance are based on limited data. Nevertheless, they believe that the preponderance of information available to them indicates that lenders are not fully ensuring compliance with flood insurance purchase requirements.

GAO Analysis of Available Data Suggests Noncompliance Could Be Low at Loan Origination

To be in compliance, the purchase of mandatory flood insurance must occur when a mortgage is originated, and this insurance must be retained and renewed over the life of the loan. No data were readily available to enable us to assess noncompliance at both loan origination and over the life of the loan and in all geographic areas. However, other readily available data we obtained suggest that in highly flood-prone areas, noncompliance could be low at loan origination. We compared the number of new mortgages made in 1999 with new flood insurance policies issued in certain of the nation's most highly flood-prone census tract areas. For that period and for most of the geographic areas we examined, this comparison did not suggest a major noncompliance problem at loan origination, because only 44—9 percent of the 471 census tracts we analyzed—showed fewer insurance policies than mortgages. Moreover, buildings such as cooperatives and condominiums—which are under different purchase requirements—exist in some of these areas and could account for fewer policies than mortgages being issued.

To obtain a perspective on the level of noncompliance with the mandatory flood insurance purchase requirements at loan origination, we first identified highly flood-prone census tracts¹¹ where 90 to 100 percent of the properties are located in SFHAs. We then compared data reported by lenders¹² on new mortgages made in 1999 by federally regulated lending institutions or guaranteed by a federal agency with FEMA data on new flood insurance policies issued in that year in each selected tract. These data, in the aggregate, do not suggest that noncompliance is widespread at the time of loan origination in highly flood-prone areas. For the 471 census tracts we selected, located in 64 different counties, over 88,000 insurance policies were issued in 1999, or about 88 percent more than the 47,000 mortgages originated in those census tracts during that period. A summary, by county and state, of the census tract data we examined is contained in appendix IV.

Most of the census tracts had more new insurance policies purchased than mortgages originated. Of the 471 census tracts we analyzed, 413 had more new insurance policies issued than mortgages, and in many of the census tracts substantially more flood insurance policies were purchased than mortgages originated. For example, nearly 4 times more flood insurance policies were purchased than new mortgages originated in census tracts in 6 of the 64 counties. Two reasons for this could be that some homeowners in the census tracts who did not have new mortgages purchased insurance or that unregulated lenders originated a significant number of mortgages in those areas and also required the purchase of flood insurance. We contacted flood zone administrators for 2 of these counties, and they attributed the large number of insurance policies purchased to many factors, including an increasing awareness of flood dangers resulting from hurricanes affecting their counties during 1999 as well as recent public outreach and education efforts.

Our analysis does suggest that a noncompliance problem at loan origination might exist in some geographic areas. For counties containing 44 of the census tracts—9 percent of the tracts we examined—we were

¹¹A census tract is a small, relatively permanent statistical subdivision of a county.

¹²Under the Home Mortgage Disclosure Act, mortgage data must be reported by nondepository lenders that have assets above \$10 million or depository institutions that have assets above \$29 million, maintain a home or branch office in a metropolitan statistical area (MSA), or make loans in a MSA. Institutions that make 100 or more loans (including refinancings) during the calendar year are also required to report.

able to determine that there were fewer insurance policies issued than mortgages. For example:

- In a Hawaii county that has 5 census tracts that are virtually entirely in a SFHA, 357 loans were made but only 88 flood insurance policies were issued.
- In a New Jersey county with 4 census tracts that are virtually entirely in a SFHA, 291 loans were made but only 81 flood insurance policies were issued.
- In a New York county with 1 census tract with 97 percent of the properties in a flood zone, 98 mortgage loans were made but only one new insurance policy was issued.

However, floodplain managers in the states mentioned above point out that these areas are densely populated and contain many buildings that are condominiums or, in the case of New York and New Jersey, cooperatives. These structures have different purchase requirements than other residential properties. For example, condominium owners may not have to obtain a flood insurance policy if the building's condominium association has purchased one that covers the entire structure. Consequently, there would be fewer flood insurance policies than new mortgages in those situations.

For the remaining 14 census tracts we analyzed, we also found that there were fewer insurance policies than mortgages issued. However, these census tracts are in counties where a number of insurance policies were issued that could not be identified with any specific census tract and which could account for the shortage of policies as compared with mortgages. For example, in a North Carolina county with one census tract that had 37 mortgages and only 15 insurance policies issued, there were also 201 insurance policies that could not be identified with any of the six census tracts in the county. It is possible that a portion of these policies were actually for properties in the highly flood-prone census tracts in these counties.

We discussed our analysis of mortgage and insurance data with officials of the bank regulatory agencies, GSEs, and FEMA. The regulatory and GSE officials stated that the analysis supports their position that few concerns exist regarding noncompliance with flood insurance purchase requirements. They stressed that they are confident that their examination procedures are effective and appropriate. Additionally, they said that our data were from 1999, before some of the regulators had completed examinations of all institutions they oversee to assess them for

compliance with the current requirements. They believe that any noncompliance that may exist will be further reduced after all institutions have been examined and made fully aware of the flood insurance compliance requirements.

FEMA officials agreed that the analysis indicates relatively low levels of noncompliance at the time loans are made and that on the basis of our analysis, noncompliance at the time of loan origination is not an area of major concern. Nevertheless, they still believe that significant noncompliance problems exist with insurance policy retention and renewal. They believe that lenders and homeowners fail to ensure that the insurance policies remain in force for the life of the loan and pointed out that our analysis was unable to examine existing mortgages to determine if insurance policies are being retained and renewed as required over the life of the loan.

Mortgage, Flood Determination, and Insurance Policy Data Needed to Fully Assess Compliance, but Challenges Exist

Property-specific data on mortgages, flood zone determinations, and flood insurance policies—obtained both at loan origination and at various points during the life of the loan to ensure the insurance remains in force—would be needed to fully assess compliance. Comparing these data would allow computation of compliance rates nationally, regionally, or locally and would—with an additional piece of data, the mortgage lender identification numbers—identify specific noncomplying lenders. However, there are a number of challenges to obtaining and assessing these data. These include establishing data reporting requirements for lenders to provide relevant mortgage data, designating an organization to receive and compare these data, and determining the costs and benefits of obtaining these data. The regulators and GSEs, on the one hand, and FEMA, on the other, have differing viewpoints of the viability of and need for obtaining these data.

Mortgage and Flood Zone Determination Data Would Need to Be Linked to Flood Policy Data to Measure Compliance

The three data elements that would have to be linked to fully measure compliance are property addresses, flood zone determinations, and proof of flood insurance for those properties. Property addresses would need to be obtained for those properties financed by mortgages covered by the NFIP legislation, namely, those made by federally regulated lending institutions or guaranteed by federal agencies, or those purchased by GSEs. At the time the loan is made, flood zone determinations for properties associated with those mortgages are required to be performed by the lender—making it possible to identify the pool of mortgages for which flood insurance is required. Once this pool of mortgages is

identified, it would be necessary to match the individual mortgages to the flood insurance policies issued to determine whether insurance policies had been issued for those properties required to have them. The results could be used to (1) compute compliance rates nationally, regionally, and locally and (2) identify individual properties without flood insurance at origination.

To monitor the status of compliance over the life of the mortgage, updated mortgage and insurance information would be needed. Mortgages are frequently sold and therefore held by a different entity. Similarly, the status of flood insurance policies may change. Currently, there are requirements for various notifications when these events occur, and these changes are required to be recorded in loan files.

Collection of an additional data element—lender identification numbers—would permit measurement of noncompliance on lender specific levels. Lender identification numbers are necessary for identifying the specific lender associated with a mortgage and for determining the appropriate federal regulator. Obtaining lender identification numbers would reveal which lenders did not ensure that flood insurance was purchased and maintained when required.

Challenges Exist to Fully Measure Compliance

A number of challenges exist to collect and assess the data needed to determine compliance. First, reporting requirements would be needed to centrally collect data components to determine if flood insurance is being purchased as required when mortgages are originated. As previously explained, for each mortgage originated by a regulated lending institution or purchased by a GSE, key data identifying the specific mortgaged property (i.e., property address), the flood zone determination for the property, and proof of insurance for properties in SFHAs would need to be compiled. Lenders, FEMA, and others currently hold all or parts of these data. For example, lenders maintain all of these data in their loan files, and FEMA maintains a database that contains all insurance policy data. Consequently, no new data would have to be generated, but they would have to be centrally reported.

Second, a single organization would need to be assigned the responsibility for measuring compliance. This organization also would need to have appropriate authority to collect the data needed to measure compliance. Although some organizations have various authorities to obtain data—for example, the bank regulators can collect data from lenders, and FEMA can obtain data from insurers—no organization currently has the authority to

collect from lenders, insurance companies, or other organizations all the data needed to fully measure compliance. Specific legislative authority may be needed to enable a single organization to collect the data necessary to measure compliance.

Third, costs and benefits would need to be fully explored to determine whether establishing a new system for measuring compliance is justified. The regulators and GSEs, on one hand, and FEMA, on the other, have differing viewpoints on the viability of and need for obtaining compliance measurement data. In this regard, regulatory and GSE officials said that this effort would result in significant costs for lending institutions if they were required to report all flood insurance-related mortgage data. An official from one regulatory agency pointed out that although there are no data on the costs of implementing new reporting systems, any new data requirement placed on lenders would result in changes to the lenders' information systems. The official estimated that costs could be in the millions of dollars for even minimal changes, and for institutions that have older systems, or that are not highly automated, additional data reporting requirements could have a significant impact.

The regulatory and GSE officials also said that in addition to concerns that obtaining this compliance measurement data would be costly, they also believe that little benefit would be obtained through such action. They stated that there continues to be no empirical evidence that there is any widespread noncompliance with flood insurance requirements, and that in fact, our analysis points to a high level of compliance. Officials from these organizations added that as they do their compliance examinations and reviews of lenders, they look at a sample of a lender's entire portfolio of mortgages—both new and existing—and if these examinations and reviews are ensuring compliance at origination, they are also ensuring compliance over the life of the mortgage loan. Consequently, according to these officials, without further evidence of noncompliance problems, establishing a new process to require reporting and monitoring of flood insurance data is not justified.

Officials from many of the regulatory agencies believe that instead of establishing a new compliance measurement program, it would be better to have FEMA use the data it currently has to measure compliance and to conduct additional post-disaster compliance studies. The officials stated that FEMA has significant data on mortgages requiring flood insurance, and that additional data to measure compliance could be obtained from the insurance agents that sell flood insurance policies. They further said that conducting compliance studies after disasters have occurred could

determine if there were any significant amounts of noncompliance in the affected area. They added that more of these studies would better determine if there actually are noncompliance problems and help pinpoint geographic areas in which they may need to shift greater focus to flood insurance compliance in their examination activities.

FEMA officials, however, believe that establishing a comprehensive noncompliance measurement program may be beneficial and appropriate. They said that they remain concerned that insurance policies are not being retained and renewed where required on existing mortgages, as their data show that the retention rate for flood insurance policies is about 90 percent, which is below the insurance industries' homeowners policy retention rate of 95 percent. The FEMA officials said that if lenders were adequately ensuring the renewal of flood insurance policies, the retention rate would be similar. Therefore, they believe that only a comprehensive program that gathers and analyzes data on existing mortgages will resolve the debate over noncompliance and ensure that both property owners and the federal government are adequately protected. FEMA officials added that because FEMA is involved in the selling of insurance policies and in the financial condition of the insurance program, a comprehensive noncompliance measurement program might more appropriately rest outside of FEMA in an organization that would be more independent.

Additionally, FEMA officials stated that with the provisions in the president's proposed budget that will significantly increase their efforts to remap and update the nation's flood zones, establishing a process to identify noncompliance is even more critical. They pointed out that the remapping efforts will likely place more properties in SFHAs, and more property owners—including those with existing mortgages—will be required to purchase flood insurance. They expect that this remapping will result in potentially more noncompliance, and that a comprehensive noncompliance monitoring effort will be needed to ensure that all owners of properties requiring flood insurance purchase such insurance.

Finally, FEMA officials said that conducting post-disaster studies is not the solution to the noncompliance debate. They said that post-disaster studies can only offer a limited perspective on noncompliance and do not address noncompliance issues for the nation as a whole. Moreover, a major flaw with this approach would be that FEMA would be identifying noncompliance when it is too late—after the disaster has occurred and uninsured properties are flooded. They said that it is much more important to identify noncomplying properties before they are damaged in a disaster, thereby providing the opportunity to ensure that property owners have

insurance protection and minimizing the need for federal disaster assistance for these properties. Lastly, FEMA officials said that conducting post-disaster studies is very resource intensive. They said that they do not have the resources and capabilities to conduct any significant number of compliance studies.

Agency Comments and Our Evaluation

We provided a draft of this report to FEMA, regulatory agencies—FDIC, FRB, OCC, and OTS—and GSEs—Fannie Mae and Freddie Mac—that are responsible for the issues discussed in this report. All of the agencies generally agreed that the report presents an accurate and objective presentation of the differing perspectives on noncompliance with mandatory flood insurance purchase requirements. FEMA, FDIC, FRB, Fannie Mae, and Freddie Mac provided letters commenting on the draft that appear in appendixes V, VI, VII, VIII, and IX. OCC and OTS provided clarifying language and technical comments that were incorporated into the report as appropriate.

Three organizations provided additional perspectives and comments. FEMA said that it continues to believe that significant problems exist with insurance policy retention. It stated, as an example, that last year's gains in new policies were offset by attrition from the previous years' number of policies in force. FEMA also described a number of strategies it has initiated to improve policy retention. These strategies include working with the regulatory agencies and GSEs to identify actions FEMA could take to improve lender compliance; assessing state escrow laws and systems to determine whether obstacles to flood insurance escrow exist and, where necessary, work with states to resolve these obstacles; and improving its flood insurance public education and advertising campaign.

FRB maintained that compliance is generally satisfactory with the institutions they supervise. It said that our analysis suggests low levels of noncompliance at loan origination and that the report helped narrow any future inquiry on lender noncompliance to areas of policy renewal and retention. FRB added that on the basis of years of experience in examining state member banks, it believes that those banks have a good record of compliance with flood insurance purchase requirements not only at loan origination but also during the time the banks own the loan.

Freddie Mac commented that certain facts contradict FEMA's assertions that noncompliance is substantial. Specifically, Freddie Mac noted that FEMA acknowledges that compliance at origination is high and 90 percent of policies are renewed. Therefore, it sees no basis for FEMA's belief that

noncompliance is substantial; rather, the evidence suggests that noncompliance is marginal. Additionally, Freddie Mac commented that FEMA should take a more proactive role in compliance monitoring by collecting and analyzing data currently available to it and conducting investigations to determine reasons for noncompliance. Freddie Mac said that it does not share FEMA's belief that having responsibility for compliance creates a conflict of interest with its responsibility for managing the National Flood Insurance Program.

We will send copies of this report to the Director, Federal Emergency Management Agency; Chairman, Federal Deposit Insurance Corporation; Chairman, Board of Governors of the Federal Reserve System; Comptroller of the Currency; Director, Office of Thrift Supervision; Chairman and CEO, Fannie Mae; and Chairman and CEO, Freddie Mac. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>. If you have any questions about this report, please call me or John Schulze at (202) 512-2834. Key contributors to this report are listed in appendix X.



JayEtta Z. Hecker
Director, Physical Infrastructure

Appendix I: Objectives, Scope, and Methodology

Federal Emergency Management Agency (FEMA) officials and bank regulators disagree about whether lenders are fully complying with the flood insurance purchase requirements of the National Flood Insurance Program (NFIP). Given this disagreement, and concerned that lender noncompliance could be high, the Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations, directed us to examine whether lenders are complying with the purchase requirements. In response to that mandate and to requests from the Senate Committee on Banking, Housing, and Urban Affairs and its Subcommittee on Economic Policy, we focused our work on the following questions:

1. What are the bases for the differing perspectives on lender noncompliance?
2. What does other readily available data indicate about the level of noncompliance?
3. What data would be needed to fully measure compliance?

To obtain an overall understanding of the NFIP, we analyzed the program's history, regulations, policies, and procedures. We interviewed and gathered studies from FEMA officials, federal regulatory agencies, government-sponsored enterprises (GSE), flood zone determination companies, mortgage companies, mortgage servicers, insurance companies, and industry associations. We examined reports issued by the FEMA Inspector General and documents from FEMA's Federal Insurance and Mitigation Administration. In addition, we interviewed this organization's former Administrator, Acting Administrator, Director of Marketing, Lender Compliance Officer, and other officials responsible for administering the NFIP. We also interviewed FEMA's Assistant Inspector General who is responsible for that office's flood insurance compliance review.

To address the first objective, we determined how four regulatory agencies and two GSEs monitor lender compliance. Specifically, we focused on the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage

Corporation (Freddie Mac).¹³ We interviewed officials from each of these agencies, including 25 field managers and bank examiners from the FDIC, FRB, OCC, and OTS. In addition, we analyzed examination files from the FDIC, Federal Reserve Bank of New York, OCC, and OTS to identify banks and thrifts that had been subjected to civil monetary penalties and other enforcement actions; we further examined correspondence between the GSEs and servicers. We also observed FDIC and OTS bank examinations in the Baltimore, Md., area to better understand the policies and procedures of such examinations.

Additionally, we reviewed FEMA's data and efforts to measure and assess noncompliance. We interviewed officials from FEMA's Federal Insurance and Mitigation Administration and obtained information and documentation of FEMA's estimates on overall levels of noncompliance; processes it uses to estimate structures in special flood hazard areas; processes it uses to collect, report, and share flood insurance policy data; and actions it has taken to inform the public about floodplain mapping and compliance with mandatory purchase requirements. We interviewed FEMA officials and flood zone determination industry officials and obtained information and documentation on studies about levels of participation in the NFIP and lender compliance issues. We attended meetings and training sessions held by FEMA with insurance officials, local government officials, and lender representatives and observed discussions of noncompliance.

In determining what other readily available data indicates about the level of noncompliance, we found that the data necessary to assess lender noncompliance are currently not reported in a way to permit full evaluation of this issue. However, we did determine a methodology that would enable us to obtain a perspective on noncompliance at loan origination. We compared the number of new mortgages made with the number of flood insurance policies issued in the same locations, in certain of the nation's highly flood-prone areas. This analysis required that we (1) identify flood-prone areas; (2) determine the number of new mortgages

¹³The regulators we chose account for most of the pertinent mortgage market. We did not include the Farm Credit Administration, National Credit Union Administration, Federal Home Administration, Veterans Affairs Administration, or the Rural Housing Service. These agencies were excluded because they either originate a small percentage of all outstanding loans or because their loan programs fall under the jurisdiction of one of the regulatory agencies. The Government National Mortgage Association was excluded because it does not have direct responsibility for compliance with the mandatory purchase of flood insurance requirements.

made in such areas that were subject to NFIP regulations; (3) determine the number of flood insurance policies written; and (4) compare the number of mortgages with the number of flood insurance policies in certain areas to infer levels of lender noncompliance in those selected areas. Data on properties with existing mortgages in these flood-prone areas were not available; therefore, we did not perform any analysis on the level of noncompliance on existing mortgages. Further, we did not perform any analysis of the accuracy of the determinations made by flood zone determination companies and used by lenders as the basis for whether flood insurance is required.

Flood-Prone Area Data

For our review, we defined as “flood-prone areas” all census tracts in which 90 percent or more of the tract is in a flood zone. To identify these census tracts, we used the percentage of properties determined to be flood-prone as a proxy for the percentage of each census tract area that may be flood-prone. We obtained data on flood zone determinations from Transamerica Flood Hazard Certification, Inc., which has been collecting information on properties in the United States since 1977. Its database consisted of about 62 million properties nationwide for which flood determinations have been made. Of those properties, 2.8 million, or 4.6 percent, have been certified as located in flood hazard areas. We obtained this information by state, county, and census tract.

Transamerica’s data covered properties in 59,506 census tract areas. About 1 percent (742) of these census tracts had at least 90 percent of the properties determined to be in SFHAs. We focused on these 742 census tract areas.

Mortgage Data—All New Mortgages in 1999 That Were Subject to NFIP Regulations

To identify the number of new mortgage loans that would be covered by NFIP regulations in the flood-prone census areas, we used Home Mortgage Disclosure Act (HMDA) data that regulators collected for the 1999 calendar year. The HMDA information shows the number of loans granted during 1999. We refined the number of mortgages to be included in our analysis by choosing only owner occupancy and single-family loans subject to government regulation. We excluded business loans, unregulated loans not purchased in the secondary market by either Fannie Mae or Freddie Mac, and loans that were designated for home improvements, multifamily dwellings, and refinances. This resulted in a total of 3,717,735 mortgage loans in 1999. We then aggregated all loan originations at the census-tract level.

Flood Insurance Data

To identify the number of flood insurance policies written for the flood-prone census-tract areas, we used NFIP data that FEMA collects from insurance companies that issue policies. We obtained from FEMA a database that aggregated the number of flood insurance policies written in 1999 according to the state, county, and census tract of the property. To obtain policy data that would be comparable to mortgage data, we refined the policy data to include only new policy transactions for principal residences. We excluded policies that were not for a homeowner's principal residence or were only to cover the contents of a property. This resulted in a total of 549,255 policies for 1999.¹⁴ These data were aggregated at the census-tract level.

Analysis of the Census-Tract, Mortgage, and Flood Insurance Data

To determine whether the number of flood insurance policies in force approximated the number of regulated mortgage loans made in flood-prone areas, we merged the three types of data described above by census tract within each state and county for 1999. We assumed that the distribution of the properties, loans originated, and insurance policies written were the same within each census tract area.

As previously indicated, we focused on those 742 census tract areas that had at least 90 percent of their properties in flood areas. To provide a greater degree of confidence that the data we obtained were representative of the entire census tract, we developed additional selection criteria whereby at least 20 loans had been made in that census tract and at least 100 properties within the census tract had flood-zone determinations. As a result, the number of census tracts we examined totaled 471 covering 17 states. For these areas, we found that 46,965 loans had been made and 88,300 flood insurance policies had been issued.¹⁵

We did not attempt to independently verify the accuracy of the data sets used for our analysis. We did, however, to the extent possible, assess the reliability by (1) performing electronic tests (as described below) and (2) discussing results of the testing and analysis with knowledgeable individuals. We cross-checked Transamerica's determination data with data from another flood zone determination company (Geotrac of

¹⁴Of the policies written, 26,544 (5 percent) could not be identified with a census tract and were not used in our analysis.

¹⁵We cannot say with certainty that any particular loan we identified definitely required flood insurance. We did not have property addresses for insurance policies or mortgages.

America, Inc.) to determine if both companies' data identified the same flood-prone census tracts. We found a high degree of correlation between the data of the two flood zone determination companies. We also determined that the variables we used from the HMDA data was complete in its coding and did not have questionable outliers. Therefore, we determined that the data were reliable enough for the purposes of this report.

To determine what data would be needed to fully measure compliance, we analyzed the processes established by the participants in the NFIP to collect, report, and share data on lender compliance with flood insurance purchase requirements. We interviewed officials and gathered documents from the Federal Insurance and Mitigation Administration, federal regulators, GSEs, loan servicers, insurance companies and their servicers, and related industry associations, including the National Floodzone Determination Association, the Independent Bankers Association of America, and the Mortgage Bankers Association. We made site visits to flood zone determination companies in Austin and Arlington, Tex.; Lakewood, Colo.; and Hasbrouck Heights, N.J.; and interviewed officials with a flood zone determination company in Norwalk, Ohio. These companies represent about 80 percent of the flood zone determination market.

After determining how information pertaining to compliance is processed, we developed a process that would allow better measurement of noncompliance with the mandatory flood insurance purchase requirements. We then discussed this process with FEMA and bank regulatory officials to obtain their perspective on its viability, costs, and benefits.

We conducted our review from April 2001 through April 2002 in accordance with generally accepted government auditing standards.

Appendix II: Federal Financial Institution Regulators' Compliance Policies and Procedures

Federal financial institution regulators have primary responsibility for ensuring that the institutions they supervise comply with the requirements of the National Flood Insurance Program. The regulators have issued uniform flood insurance regulations and examination procedures for enforcing and monitoring lender compliance. The policies and procedures are designed to ensure that flood zone determinations for mortgaged properties are performed, flood insurance is obtained when required, and flood insurance policies remain in force for the life of the loan.

The National Flood Insurance Reform Act of 1994 directed that regulatory agencies promulgate rules to implement the act's provisions and to coordinate their development through the Federal Financial Institutions Examination Council. The agencies' regulations became effective on October 1, 1996, and established, among other provisions, new requirements for escrowing flood insurance premiums, documenting flood hazard determinations on the Standard Flood Hazard Determination Form, and "force-placing" flood insurance under certain circumstances.

In November 1996, the regulators adopted uniform procedures for assessing lender compliance with the new flood insurance regulations. These procedures require that for the flood insurance component of the examinations the regulators assess

- whether an institution performs required flood determinations for home mortgage loans, including mobile homes affixed to a permanent foundation;
- if the institution requires flood insurance in the correct amount when it makes, increases, extends, or renews a covered loan;
- if the institution provides the required notices to the borrower whenever flood insurance is required as a condition of the loan;
- if the institution requires flood insurance premiums to be escrowed when other items, such as hazard insurance and taxes, are required to be escrowed; and
- if the institution complies with the forced placement provisions in cases where flood insurance on the loan is not sufficient to meet the requirements of the regulation.

To fulfill these requirements, bank examiners review a sample of loan files to verify that flood insurance requirements are met. For smaller banks and thrifts, which make few mortgage loans, the sample may consist of all loans made since the last examination, and all loans in the portfolio known to be secured by properties in special flood hazard areas. For larger institutions, examiners review a nonprojectable sample of loans.

Depending on the findings from those files, an examiner may analyze additional loans for further examination. If a lender appears to have failed to require adequate flood insurance coverage on selected loans, it may be required to conduct a review of its entire loan portfolio and report the results to the bank regulator. If violations of the flood insurance requirements are detected during an examination, corrective action may be required of the lender, and fines can be levied against the lender by the regulatory organization if it finds a pattern or practice of violations.

Bank regulators perform compliance examinations on a periodic basis, generally every 12 to 60 months. In addition to compliance with flood insurance requirements, these examinations cover compliance with other consumer laws and regulations. The length of time between examinations is determined by several factors, including the bank's rating at the time of its last examination and the size of the institution. In addition to regular examinations, examiners are to follow-up with institutions in which violations have been found to verify that any violations noted during the most recent examination have been resolved.

Appendix III: Review Procedures Established by Freddie Mac and Fannie Mae

The 1994 National Flood Insurance Reform Act directed Fannie Mae and Freddie Mac to implement procedures designed to ensure that loans that they purchase are covered by flood insurance for the term of the loans. While GSEs have no regulatory authority over their sellers and servicers, they require their sellers and servicers to comply with the flood insurance requirements through their contracts with them. These requirements are spelled out in the GSEs' Seller/Servicers Guides.

Fannie Mae and Freddie Mac also require that servicers have processes in place that allow the servicer to identify map changes, determine which mortgaged dwellings affected by map changes need flood insurance, and to ensure that the affected borrowers obtain such insurance within 120 days of the effective date of the map change.

If Fannie Mae or Freddie Mac finds that a lender is not complying with their requirements for flood insurance, they may require that the lender repurchase the loans and correct deficiencies in their system for ensuring compliance. Officials from both enterprises told us that this occurs very rarely.

The act also directed the Office of Federal Housing Enterprise Oversight (OFHEO), an independent agency within the Department of Housing and Urban Development responsible for regulation of Fannie Mae and Freddie Mac, to assess whether they have adopted and are adhering to flood insurance compliance procedures, and to report on this assessment in OFHEO's annual reports to Congress for 1996, 1998, and 2000. OFHEO reported that the policies and procedures established by Fannie Mae and Freddie Mac with respect to the flood insurance requirements under the Flood Disaster Protection Act were adequate and were being used.

The review procedures for flood insurance established by Fannie Mae and Freddie Mac are explained below.

Fannie Mae

- Post purchase review: Flood insurance compliance is incorporated as part of the monthly quality control reviews of a nonprojectable sample of recently purchased or securitized mortgages. Lists of property addresses are sent to two flood zone determination companies to review the flood zone determinations on file for properties both in and outside of flood zones. The mortgage file is checked to verify that a copy of the special flood hazard determination form is present; the loan is coded properly; and, if appropriate, evidence that flood insurance coverage was obtained.

- Portfolio review: On an annual basis, Fannie Mae performs a review on a sample of all loans it owns or has securitized to verify that sellers and servicers appropriately obtained and have maintained flood insurance, as applicable, throughout the term of the mortgage. The scope of the review emphasizes areas where flood zone remapping has occurred, or communities whose participation status in the National Flood Insurance Program has changed, to ensure that sellers and servicers are in compliance with the requirement to have procedures in place to monitor such changes. For a nonprojectable sample of mortgages in special flood hazard areas, sellers and servicers are required to provide documentation to confirm that flood insurance is in force for each selected mortgage, and that the mortgages were properly identified at delivery.
- Quality control operational review: Fannie Mae regional offices perform regular quality control reviews that examine sellers and servicers' management, policies, and procedures, rather than examining individual mortgage files. These reviews include on-site examination of processes for ensuring the accuracy of the flood zone determinations that are obtained. Generally, the largest sellers and servicers are evaluated every year; others are reviewed every 2 to 3 years.

In addition, Fannie Mae is looking at various options to improve its methodology for performing its flood insurance reviews. One such option is the use of Geographic Information Systems data and flood maps to target loans in its portfolio for flood reviews. This effort is currently in the testing stages.

Freddie Mac

- Quality control program: The data file for each mortgage purchased by Freddie Mac must contain a special characteristic code describing the mortgage's status regarding flood insurance, as follows: in a flood zone with insurance coverage in place; in a flood zone with no flood insurance coverage; not in a flood zone with flood insurance coverage; or not in a flood zone and no flood insurance coverage. As part of Freddie Mac's quality control program, a statistical sample of newly delivered mortgages is reviewed for the correct special characteristic codes regarding flood insurance; proper documentation of the flood zone determination; and, if applicable, the flood insurance policy.
- Flood audit program: Freddie Mac auditors provide a list of addresses for all of a servicer's mortgages to a flood zone determination company. The flood zone determination company reviews the addresses in the portfolio and arrives at a list of 25 properties located entirely within special flood hazard areas. The list is then sent to several other participating flood zone determination companies to verify that the identified properties are within

SFHAs. Each company performs independent flood zone determinations for the listed properties; Freddie Mac eliminates any properties for which the “in” determination is not unanimous. At the sellers and servicers’ facilities during the audit, Freddie Mac audits the mortgage files for the selected properties to verify that all of the flood insurance requirements are met. This includes ensuring that flood insurance is in effect and that the coverage meets Freddie Mac’s requirements.

- Underwriting reviews: Freddie Mac reviews sellers and servicers’ management controls for identifying properties in SFHAs, ensuring that flood insurance is maintained, and ensuring that flood insurance coverage is at least equivalent to that provided under the NFIP.
- Servicing review: Freddie Mac auditors review the management controls that sellers and servicers have in place to (1) become aware of changes in SFHAs, (2) ensure that the borrower obtains flood insurance coverage if the sellers and servicers become aware that existing coverage does not adequately protect the mortgaged premises, (3) ensure that the borrower obtains the required insurance, and (4) ensure that the sellers and servicers obtain the required coverage if the borrower does not obtain it.

Appendix IV: Comparison of Flood Insurance Policies Issued to Mortgages Originated in Certain Flood-Prone Census Tracts in 1999

State	County	Total number of census tracts in county	Number of census tracts in flood-prone areas	Policies issued in flood-prone census tracts	Mortgages originated in flood-prone census tracts	Percentage of policies issued to mortgages originated
California	Contra Costa	168	1	48	68	71
California	Kern	109	2	445	183	243
California	Los Angeles	1,652	39	9,943	2,706	367
California	Merced	53	1	136	51	267
California	Orange	484	20	2,777	1,216	228
California	Sacramento	207	39	4,986	2,713	184
Florida	Broward	164	55	16,978	11,217	151
Florida	Charlotte	22	6	1,825	845	216
Florida	Collier	31	8	1,657	889	186
Florida	Dade	267	48	12,301	9,395	131
Florida	Escambia	54	2	280	144	194
Florida	Glades	2	1	47	24	196
Florida	Hillsborough	168	7	1,178	716	165
Florida	Lee	93	24	5,297	2,669	198
Florida	Manatee	45	4	878	213	412
Florida	Monroe	29	8	1,518	349	435
Florida	Palm Beach	211	3	1,057	738	143
Florida	Pasco	38	2	778	325	239
Florida	Pinellas	191	23	3,709	2,653	140
Florida	Sarasota	42	5	896	439	204
Florida	St. Johns	14	2	177	91	195
Florida	St. Lucie	39	2	121	100	121
Georgia	Chatham	71	1	206	54	381
Hawaii	Honolulu	200	5	88	357	25
Iowa	Pottawattamie	26	1	102	30	340
Louisiana	Assumption	6	1	100	30	333
Louisiana	Jefferson	116	38	5,491	2,377	231
Louisiana	Lafourche	20	5	632	169	374
Louisiana	Orleans	184	30	2,944	1,131	260
Louisiana	St. Bernard	17	1	100	40	250
Louisiana	St. Charles	15	1	348	203	171
Louisiana	St. Tammany	33	4	683	282	242
Louisiana	Terrebonne	18	2	236	73	323
Louisiana	Vermilion	13	1	148	26	569
Maryland	Worcester	23	5	657	218	301
Mississippi	Harrison	40	1	191	62	308
New Jersey	Atlantic	71	7	1,200	407	295
New Jersey	Bergen	210	1	114	56	204
New Jersey	Cape May	23	7	1,583	593	267
New Jersey	Hudson	161	4	81	291	28

**Appendix IV: Comparison of Flood Insurance
Policies Issued to Mortgages Originated in
Certain Flood-Prone Census Tracts in 1999**

State	County	Total number of census tracts in county	Number of census tracts in flood-prone areas	Policies issued in flood-prone census tracts	Mortgages originated in flood-prone census tracts	Percentage of policies issued to mortgages originated
New Jersey	Monmouth	147	1	49	45	109
New Jersey	Ocean	87	9	1,175	675	174
New Mexico	Valencia	12	1	90	35	257
New York	Kings	789	1	0	21	0
New York	Nassau	270	3	521	217	240
New York	New York	298	1	1	98	1
North Carolina	Beaufort	10	1	156	36	433
North Carolina	Dare	6	1	15	37	41
North Carolina	New Hanover	31	1	148	34	435
North Carolina	Pamlico	2	1	137	35	391
North Dakota	Grand Forks	19	1	76	20	380
South Carolina	Beaufort	22	5	710	203	350
South Carolina	Charleston	89	5	832	328	254
South Carolina	Colleton	9	1	50	24	208
Texas	Brazoria	55	1	139	61	228
Texas	Cameron	64	1	198	62	319
Texas	El Paso	95	1	88	26	338
Texas	Galveston	67	9	1,169	485	241
Texas	Harris	582	2	135	74	182
Texas	Taylor	36	4	289	141	205
Virginia	Accomack	9	1	130	26	500
Virginia	Norfolk City	90	1	66	41	161
Virginia	Poquoson City	3	1	78	40	195
Washington	Skagit	12	1	112	58	193
Total		8,134	471	88,300	46,965	188

Source: GAO analysis of FEMA, HMDA, and TransAmerica data.

Appendix V: Comments from the Federal Emergency Management Agency



Federal Emergency Management Agency

Washington, D.C. 20472

JUN - 7 2002

Mr. Jack Schulze
Assistant Director
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Reference: Draft Report for Agency Comment (GAO-02-396)

Dear Mr. Schulze:

Thank you for the opportunity to comment on your draft proposed report "Flood Insurance: Extent of Noncompliance with Purchase Requirements Is Unknown".

We appreciate the time, consideration and effort GAO has expended in looking at the various data provided for analyzing lender compliance as it pertains to the National Flood Insurance Program (NFIP). We would like to draw your attention to several sections for the purpose of making edits and clarifications. We also describe FEMA's strategy for improving policy retention, and offer additional comments.

Corrections to Draft Text

RESULTS IN BRIEF, page 4

2nd paragraph, 2nd sentence – change to read, "...new flood insurance policies **written as reported** by FEMA..."

BACKGROUND, page 5

4th paragraph, 3rd sentence – change to read, "...data to ascertain **which** flood zone a property is situated in."

Bank Exams and Compliance Reviews Are Basis for Regulators and GSEs Views on Noncompliance, page 10

1st paragraph, 2nd sentence – change to read, "...very few violations of flood insurance requirements have **been found**." rather than **have occurred**.

1st paragraph, 3rd sentence - In reference to the "bank regulator's [sic] 1994-2000 annual reports to the Congress..." we would like to point out that the National Flood Insurance Reform Act of 1994 required Federal agency lender regulators to develop regulations to direct their federally regulated lenders not to make, increase, extend, or renew any loan on applicable property unless flood insurance is purchased. Most of the final regulations were not effective until October 1, 1996.

1st paragraph, 4th sentence – failure to maintain insurance should be added to the list of “...More serious violations...” The OTS and the FDIC have assessed penalties for this violation.

1st paragraph, 5th sentence – “For example, since 1996, the bank regulators have levied 51 civil monetary penalties...” We would like to point out that the first civil monetary penalty was not issued until 1999.

**GAO ANALYSIS OF AVAILABLE DATA SUGGEST NONCOMPLIANCE
COULD BE LOW AT LOAN ORIGINATION**, page 14

8th paragraph, page 17, 1st and 2nd sentence – add the following clarifications: “...loan origination is not an area of **major** concern.” “...they still believe that **significant** noncompliance problems exist with insurance policy retention and renewal.”

Challenges Exist to Fully Measure Compliance, page 19

1st paragraph, 5th sentence – change the word “leaders” to “...**lenders** maintain all...”

2nd paragraph, 2nd sentence – add the word **organization** after “...single...”

Policy Retention

As stated on page 17 of the draft report, FEMA believes that noncompliance at the time of loan origination is not a major concern. However, we continue to believe that significant problems exist with insurance policy retention. We would like to provide additional information on this point and describe our plans to address this concern.

Data on policy attrition rates for the past several years shows that enough borrowers may not be maintaining flood insurance throughout the term of the loan, as required by law, to have a significant impact on our policy retention. For example, last fiscal year, through the work of our stakeholders, new business increased nearly 15% with the addition of 630,944 new policies to the NFIP’s books. These gains in flood insurance policies, however, were offset by attrition (552,783 policies) from the previous year’s total number of policies in force.

While a certain degree of policyholder non-renewal has to be expected, we recognize that to improve overall NFIP participation we must not only continue to attract new business, but also boost the retention of current policyholders. Therefore, we have initiated the following strategies to improve policy retention.

We plan to work with Federal lending regulators and Government Sponsored Enterprises (GSE’s) to identify actions we can take to ensure borrowers are required to renew flood insurance policies annually. Although we do not have oversight authority, we can help identify whether there are any means by which we can prevent renewals of mandatory purchased policies from “falling through the cracks”.

**Appendix V: Comments from the Federal
Emergency Management Agency**

During our May 9, 2002 meeting with the Federal lending regulators and GSE's, FREDDIE MAC agreed to assist us in identifying and arranging meetings with the leading companies that provide insurance tracking services for lenders. We will explore with them the compliance software and systems used in an effort to determine if deficiencies exist in tracking flood coverage and where improvements can be made.

Also, at the above referenced meeting FANNIE MAE advised us that they had recently performed an analysis of a sample of loans in their portfolio to determine whether flood insurance had been properly required and the status of flood insurance coverage. We agreed to help them refine their analysis. This information will assist FANNIE MAE in determining those lenders that may not be compliant with the 1994 Reform Act's requirement to maintain flood insurance coverage for the term of the loan.

Additionally, we will confer with regulators regarding various private sector "blanket" policies being purchased by a growing number of lenders to cover loan portfolios. The regulators have questioned whether these policies equate to the coverage provided by the NFIP.

Also, we plan to assess State escrow laws and systems to determine whether any obstacles to flood insurance escrow may exist and, where necessary, work with the States on amendments. It bears further research and consideration because monthly-automated payments have been shown to improve the persistency of flood and other lines of insurance.

To encourage renewal by policyholders who voluntarily buy flood insurance, we are seeking opportunities to drive the message that flood insurance should be maintained. When FEMA flood maps are updated and a flood risk zone is determined to be of lower risk than before, the message will encourage policyholders to switch to a lower premium policy, rather than drop their coverage. As the memory of certain significant flood events fades, we will be working to convey to policyholders the importance of renewing their coverage, and that damaging floods can occur again. These efforts will involve working through the media and asking lenders, insurance companies and agents to amplify the messages through their own direct mailings, advertising and public relations.

To overcome one of the major obstacles to flood insurance purchase, i.e. lack of perception of risk, we are improving the flood insurance public education and advertising campaign. We are taking a fresh look at this campaign, designing it to more effectively raise consumer awareness of their vulnerability to flood damage and the value of buying and retaining flood insurance protection.

Last, we are continuing to apply our resources to fostering lender compliance. We conduct lender training seminars across the country, provide guidance materials for lenders both in hard copy and electronically via our website, and maintain regular communication with lending regulators, GSE's, and the lending community.

Fully Measuring Compliance

It is unfortunate that data availability did not allow for a definitive analysis to be done. As acknowledged in the Report, the evidence presented by the statistical analysis still allows for much conjecture as to what is really happening with regard to the mandatory flood insurance purchase requirement.

We believe it is important to underscore FEMA's position, as stated on page 21 of the draft report, that a comprehensive analysis is needed by an independent organization such as GAO to compare flood policies to loan originations, as well as to assess compliance throughout the terms of mortgage loans. The National Flood Insurance Reform Act of 1994 placed special emphasis on requiring flood insurance for the life of loans, and, therefore, to ensure that both property owners and the Federal Government are adequately protected, this needs to be fully analyzed. We concur with GAO on the challenges involved: 1) data reporting requirements on lenders would need to be established; 2) an appropriate authority to receive and compare the data would need to be determined; and 3) the costs and benefits of obtaining this data would need to be assessed.

In closing, we look forward to the GAO's final report. Should you require anything further from us, please contact Howard Leikin, Deputy Administrator for Insurance, at (202) 646-2781.

Sincerely,



Robert F. Shea, Jr.
Acting Administrator
Federal Insurance and Mitigation Administration

Appendix VI: Comments from the Federal Deposit Insurance Corporation



Federal Deposit Insurance Corporation
550 17th St. NW Washington DC, 20429

Division of Compliance and Consumer Affairs

June 6, 2002

Mr. Jack Schulze
Assistant Director, Physical Infrastructure
United States General Accounting Office
Washington, DC 20548

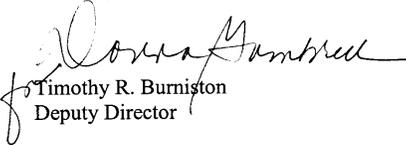
Dear Mr. Schulze:

Thank you for the opportunity to comment on the draft report GAO-02-396, entitled "Flood Insurance: Extent of Noncompliance with Purchase Requirements is Unknown."

The report provides a reasonable presentation of the differing views expressed by the Federal Emergency Management Agency (FEMA), the Federal Financial Regulatory Agencies (including the FDIC) and the Government Sponsored Entities (GSEs) about the extent of compliance with the flood insurance requirements. We believe that the report will help all of the parties to narrow the debate about where potential noncompliance may continue to be an issue.

We are pleased that the GAO's analysis of the readily available data supports lender compliance with flood insurance requirements at origination. While the report contains no recommendations, it does address the challenges that all of the parties face to gather more appropriate data to truly measure the extent of compliance. Since the report helps focus the issue to retention and renewal of flood policies, the data problem may also be similarly narrowed. We trust that the report will encourage a continuing constructive dialogue between FEMA, the GSEs and the Federal Financial Regulatory Agencies on ways to increase retention of insurance policies issued for flood disaster protection by our supervised institutions.

Sincerely,


for Timothy R. Burniston
Deputy Director

Appendix VII: Comments from the Federal Reserve Board



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

STEPHEN R. MALPHRUS
STAFF DIRECTOR FOR MANAGEMENT

June 4, 2002

Ms. Jayetta Z. Hecker
Director
Physical Infrastructure
United States General Accounting Office
Washington, D.C. 20548

Dear Ms. Hecker:

We appreciate the opportunity to comment on your agency's draft report entitled FLOOD INSURANCE: Extent of Noncompliance with Purchase Requirement Is Unknown (GAO-02-396).

The draft report discusses the differing opinions of the Federal Emergency Management Agency (FEMA) and the financial regulatory agencies (including the Federal Reserve) and government-sponsored enterprises regarding whether lenders are generally complying with the National Flood Insurance Program (NFIP). As the draft report notes, we believe that compliance with the NFIP by the institutions we supervise is generally satisfactory.

Based on a study of lending data and flood insurance policy data, the draft report indicates that there are low levels of lender noncompliance at loan origination. Because of data limitations, however, the study was not able to determine whether flood insurance policies are retained or renewed during the life of the loan as required by the NFIP. Based on years of experience in examining state member banks, we believe that those banks have a good record of compliance with the NFIP requirements, not only at loan origination, but also while they own the loans. Nonetheless, the study has helped narrow any future inquiry on lender noncompliance to the areas of policy renewals and retention.

Thank you for the opportunity to comment on your draft report. Please be assured that the Federal Reserve continues to place significant efforts ensuring that state member banks comply with the NFIP requirements. We will continue to work with FEMA on proactive efforts to promote lender compliance with the NFIP as we have in the past.

Sincerely,

A handwritten signature in black ink, appearing to read "S.R. Malphrus".

Mail Stop 50, Washington, DC 20551
Telephone: (202) 452-2801 • Internet: steve.malphrus@frb.gov • Facsimile: (202) 728-5832

Appendix VIII: Comments from Fannie Mae



3900 Wisconsin Avenue, NW
Washington, DC 20016-2892
phone 202 752 7000

May 30, 2002

Mr. Jack Schulze
Assistant Director
Physical Infrastructure
General accounting Office
441 G St., N.W.
Washington, D.C. 20548

Dear Jack:

Fannie Mae welcomes this opportunity to review your proposed report entitled FLOOD INSURANCE: Extent of Noncompliance with Purchase Requirement Is Unknown (GAO-02-394). The following are our comments.

Our first comment concerns a section (space) on page 5 where it appears that language will be added concerning whether the affected entities, including Fannie Mae, agrees or disagrees with the report. If our observation is correct, then we would like to include the following:

Fannie Mae generally agrees that this report is an accurate statement of its statutory responsibilities, position and practices. Fannie Mae also believes that additional data would be needed to substantiate the view that there are significant numbers of uninsured properties before any conclusion can be drawn about what, if anything, should be done to correct the situation.

Our second comment concerns the language used to mention our proposed change in the methodology for performing flood insurance reviews. This is the first paragraph on page 34. The paragraph should be restated in its entirety to read as follows:

Fannie Mae is looking at various options to improve its methodology for performing its annual flood insurance reviews. One such option is the use of Geographic Information Systems (GIS) data and flood maps to target loans in its portfolio for flood reviews. This effort is currently in the testing stages.

Our third comment relates to page 33 in the discussion on Fannie Mae's Portfolio review. The report states that "an annual review of loans that have been purchased or securitized by Fannie Mae" is performed to check for flood insurance. This implies that each year Fannie Mae reviews the loans that have been purchased or securitized in that year. We would like this to be restated to clarify that we're conducting an annual review of all

Page 2

loans on our books at the time of the review. Therefore, the first sentence should be restated as follows:

On an annual basis, Fannie Mae performs a review on a sample from all loans it owns or has securitized to verify that sellers and servicers appropriately obtained and have maintained flood insurance, as applicable, throughout the term of the mortgage.

Our fourth comment relates to page 33 in the discussion on Fannie Mae's Post Purchase review. The second sentence reads - Lists of property addresses are sent to several flood zone determination companies...- The word "several" should be replaced by "two" since we currently use only two firms for our post purchase review flood verification.

Our fifth comment concerns the FEMA study cited on page 13 about uninsured homes studied after presidentially-declared disasters in Kentucky and North Dakota. It is not clear whether these homes were in SFHAs. In order for the significance of this study to be judged, the report needs to say whether the homes studied were in an SFHA.

Our sixth comment relates to page 22, the report states the FEMA view that remapping will probably result in more properties being in SFHAs, and we believe that this needs some explanation. Why would more properties be in SFHAs when they're remapped?

Our seventh comment concerns typos on the following pages:

- On page 18, the first line of the first full paragraph, "determine fully measure" should be either "determine" or "fully measure."
- On page 20, the next to last line of the first full paragraph, "who" should be "that."
- On page 20, second paragraph, third sentence - . they look at a sample of a lender's he entire portfolio of mortgages. The word "he" should be deleted.
- On page 29, the first line of the first full paragraph, "need" should be "needed."
- On page 33, in the Quality control operational review paragraph, sellers and servicers' should read Sellers' and Servicers'.

We appreciate this opportunity to provide Fannie Mae's comments and we look forward to receiving a copy of your final report. Please do not hesitate to contact me (202-752-6972) if you have any questions.

Sincerely,



Ezzard J. Alves
Senior Manager
Credit Policy

Appendix IX: Comments from Freddie Mac

401 9th Street N.W., Suite 600
Washington, DC 20004

May 31, 2002

Ms. JayEtta Hecker
Director, Physical Infrastructure
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20410



Dear Ms. Hecker:

Thank you for the opportunity to review and comment on GAO's draft report of its study of compliance with federal flood insurance purchase requirements. While we believe GAO accurately portrayed the differing perspectives on this issue, we wish to underscore a couple of important points.

The most important point relates to assertions by the Federal Emergency Management Agency (FEMA) that noncompliance with flood insurance requirements is substantial. As discussed in the draft report, FEMA believes that 32 percent of homeowners required to have flood insurance do not have it, although, as GAO notes and FEMA admits, it has not substantiated this assertion. FEMA further alleges that mortgage lenders are failing to carry out their responsibilities to ensure that flood insurance policies are put in place and maintained throughout the life of the loan. However, FEMA also acknowledges certain facts that contradict these assertions.

FEMA agrees that compliance is high at the time of origination

GAO examined 47,000 mortgages in 471 census tracts that were originated in 1999 and found very low levels of noncompliance. When presented with the results of GAO's examination, FEMA acknowledged that "noncompliance at the time of loan origination is not an area of concern" (Draft Report, pg. 17). Thus it would appear that FEMA agrees with the banking regulatory agencies, Freddie Mac and Fannie Mae that compliance rates are high at the time of origination.

FEMA acknowledges a 90 percent policy renewal rate

FEMA believes that "noncompliance problems exist with insurance policy retention and renewal" (Draft, pg. 17), citing as evidence data indicating that the retention rate for flood insurance policies is 90 percent, compared with a 95 percent retention rate for homeowners insurance policies (Draft, pg. 21).

As the banking agencies, lenders, Freddie Mac, Fannie Mae, and FEMA all recognize, homeowners generally regard flood insurance as less important than homeowner insurance. Indeed, while nearly all homeowners voluntarily purchase homeowner insurance, it took an act of Congress to force some homeowners to obtain flood

Freddie Mac's comments on GAO's flood insurance report
May 31, 2002
Page 2

insurance. All of us are dedicated to changing this perception, and substantial progress is being made. We thus regard the mortgage lending industry's achievement of a 90 percent renewal rate as good news – and certainly not evidence of a substantial compliance problem requiring increased reporting obligations on lenders.

Because FEMA acknowledges that compliance at origination is high and 90 percent of policies are renewed, we see no basis for its belief that noncompliance is substantial. Instead, the evidence suggests that noncompliance is marginal.

FEMA should take a proactive compliance monitoring role

We believe FEMA can help maintain, and where possible improve, compliance rates by taking a proactive monitoring role. All of the information needed to effectively monitor compliance is collected by FEMA or one of its agents at the inception of the flood insurance policy, the loan origination, the loan servicing transfer, and the policy renewal notice and premium billing. However, FEMA needs to centralize, correlate and analyze this data, which it currently does not do.

When FEMA finds instances of noncompliance, it can and should conduct investigations to determine the reasons. FEMA also can and should report its findings to the appropriate federal regulatory agencies for follow up action.

We also do not share FEMA's apparent belief that having responsibility for compliance creates a conflict of interest because it also manages the National Flood Insurance Program. In our view, the roles do not conflict but are complementary. FEMA should embrace a proactive compliance monitoring role.

In conclusion

We appreciate this opportunity to offer our comments on GAO's draft report. Please contact us if you need additional information or if we can be of further assistance.

Sincerely,



Clarke Camper
Vice President - Congressional Relations

Appendix X: GAO Contacts and Staff Acknowledgments

GAO Contacts

JayEtta Z. Hecker (202) 512-2834
John R. Schulze (202) 512-2834

Staff Acknowledgments

In addition to those named above, Martha Chow, Lawrence D. Cluff, Colin J. Fallon, Kerry D. Hawranek, DuEwa A. Kamara, Signora J. May, John T. McGrail, Lisa M. Moore, Patricia D. Moore, Bob Procaccini, and John J. Strauss made key contributions to this report.

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