Flood Disaster Protection Act: Department of the Treasury Office of the Comptroller of the Currency Enter into Consent Order with Troy, Michigan, Bank Addressing Alleged Violations

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The Office of the Comptroller of the Currency ("OCC") of the United States Department of the Treasury entered into a December 20th Consent Order ("CO") with Flagstar Bank, FSB ("Flagstar") addressing alleged violations of the Flood Disaster Protection Act ("Flood Act"). See AA-CE-2021-48.

The CO provides that Flagstar is a federal savings association in Troy, Michigan.

Flagstar is stated to be chartered and examined by the OCC and is both an insured depository institution and regulated lending institution.

The CO provides that during a 2020 examination of Flagstar's Flood Act compliance program, the OCC identified violations of Flood Act requirements to:

. . . make, increase, extend, or renew loans secured by properties in special flood hazard areas only after obtaining proof of adequate insurance; timely pay flood insurance premiums collected in escrow; provide timely and adequate notices to customers for loans secured by properties in special flood hazard areas, including if a change in servicer occurs; and provide borrowers with notice of inadequate Flood Act insurance and force place adequate insurance if not obtained by the borrower in 45 days.

As a result, the OCC states it determined that Flagstar's risk assessment, internal controls, and training, along with alleged inadequate third-party risk management program over its loan servicing, led to various violations.

The CO also alleges that during the period of February 2017 through February 2020 Flagstar engaged in a pattern or practices of violations of the Flood Act and its implementing regulations.

Flagstar neither admits nor denies the previously referenced allegations.

The CO provides that Flagstar is assessed a civil penalty in the amount of $3,620, 000.

A copy of the CO can be downloaded here.

https://www.occ.gov/static/enforcement-actions/ea2021-056.pdf