

# United States Senate

March 2, 2020

The Honorable Joseph Otting  
Comptroller of the Currency  
Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street SW  
Washington, DC 20219

Dear Comptroller Otting:

I write to you regarding the Office of the Comptroller of the Currency's (OCC) recent enforcement action against Citibank, and the bank's failure to force place flood insurance policies for new homeowners. As discovered through the examination process, the OCC found that from at least 2014 to 2017 Citibank failed to promptly force place the required flood insurance coverage on properties located in special flood hazard areas. The penalty for Citibank's violation of the law totals nearly \$18 million, approximately \$2,000 per violation.

As required under the Flood Disaster Protection Act, if a borrower fails to purchase the necessary flood insurance within 45 days after notice by the lender outlining the homeowners need for insurance, the lender then must purchase insurance on the borrowers' behalf. Citibank overextended this 45 day window, and engaged in a pattern of practice that violated the law. With that in mind, I respectfully request answers to the following questions regarding your discovery:

1. Approximately how many loans were not covered between 2014 and 2017 when Citibank failed to force place flood insurance on mortgages?
2. Approximately how much money did Citibank pocket by not purchasing flood insurance for its customers?
3. What reasoning, if any, did they provide as to why they failed to force place flood insurance in special flood hazard areas?
4. How often does the OCC examine lender coverage of the mandatory purchase requirement for flood?

The pattern of noncompliance with flood insurance laws is not unique to just Citibank. In 2017, the Federal Reserve Board fined SunTrust Bank over \$1.5 million for violating the

National Flood Insurance Act, the largest fine at that time. And in July of 2019, the Federal Deposit Insurance Corporation took action against banks and individuals for flood violations. Homeownership continues to be a symbol of the American Dream, and it is incredibly irresponsible for big banks to leave new homeowners unprotected when it comes to flood insurance coverage.

Additionally, I find Citibank's statement in reaction to the OCC's enforcement action to be misleading and inaccurate. Citibank's response that their behavior has had "no impact to borrowers or investors", is just not true.

I applaud the work of the OCC for bringing enforcement action against Citibank. If homeowners do not acquire the proper insurance to cover their homes within their purchase window, banks must purchase regulatory required flood insurance on their behalf as required by law. It is imperative that the OCC uphold the law and continue its oversight over banks' participation in the required flood insurance coverage for properties located in special flood hazard areas. Thank you for your attention to this matter and I look forward to your response.

Sincerely,

A handwritten signature in blue ink that reads "John Kennedy". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John Kennedy  
United States Senator