



FEMA

W-06061

August 31, 2006

MEMORANDUM TO: Write Your Own (WYO) Principal Coordinators and
the National Flood Insurance Program Servicing Agent

FROM: Kevin Montgomery
COTR/Financial Management Specialist
Mitigation Division

SUBJECT: Unused LOC Authorizations

I do not have to tell you that this year has been tumultuous with respect to claims payments and Letter of Credit (LOC) activities. We have seen an unprecedented number of requests for LOC authorizations over these past months.

Now, however, the claims and the LOC activity stemming from the 2005 hurricanes have largely subsided. In spite of the slow-down, one item that remains high for many WYO companies is their unused authorized LOC balances. We have been monitoring those balances carefully. While two companies have returned unused authorizations over the past month and several others have consistently drawn down needed amounts, many companies have not touched their relatively large balances for several months. It appears that most companies are now able to meet their needs out of current cash flow.

Those large remaining balances make it difficult for us to properly administer the National Flood Insurance Fund, so we ask you now to review your current needs carefully. It may be that your current cash flow has provided more funds than you had earlier assumed.

Please bear in mind that you should be keeping only an amount of undrawn LOC balance equal to the amount of your outstanding payables less your current cash on hand and no more than that.

We ask that you quickly submit a request to decrease your LOC authorization in excess of that amount, if any. We appreciate your attention to and assistance with this important item.

Thank you for your prompt cooperation.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: Accounting