

FLOOD INSURANCE

NFIP: This community participates in the Nation Flood Insurance Program (NFIP). The NFIP makes federally backed flood insurance available for all buildings, whether they are in a floodplain or not. Flood insurance covers direct loss caused by surface flooding, including river flowing over its banks, a lake or ocean storm, and local drainage problems.

The NFIP insures buildings, including mobile homes, with two types of coverage: structural and contents. Structural cover is for the walls, floors, insulation, furnace, and other items permanently attached to the structure. Contents coverage may be purchased separately provided the contents are in an insurable building.

MANDATORY PURCHASE REQUIREMENT: The mandatory purchase requirement applies to all forms of federal or federally related financial assistance for buildings located in a Special Flood Hazard Area. This requirement affects loans and grants for the purchase, construction, repair, or improvement of any publicly or privately owned building in the Special Flood Hazard Area, including machinery, equipment, fixtures, and furnishings contained in such buildings.

Financial assistance programs affected include loans and grants from agencies such as the Department of Veterans Affairs, Farmers Home Administration, Federal Housing Administration, Small Business Administration, and Federal Emergency Management Agency. The requirement also applies to secured mortgage loans from financial institutions, such as commercial lenders, savings and loan associations, savings banks, and credit unions that are regulated, supervised, or insured by federal agencies such as the Federal Deposit Insurance Corporation and the Office of Thrift Supervision. It also applies to all mortgage loans purchased by Fannie Mae or Freddie Mac in the secondary mortgage market.

HOW IT WORKS: Before a person can receive a loan or other financial assistance from one of the affected agencies or lenders, there must be a check to see if the building is in a Special Flood Hazard Area. The Special Flood Hazard Area is the base (100-year) floodplain mapped on a Flood Insurance Rate Map (FIRM). It is shown as one or more zones that begin with the Letter "A" or "V".

Copies of the FIRM are available for review in most local government building or planning departments. Many lenders and insurance agents have copies, also. It is the agency's or the lender's responsibility to check the FIRM to determine if the building is in a Special Flood Hazard Area, although many communities provide assistance.

If the building is in a Special Flood Hazard Area, the agency or lender is required by law to require the recipient to purchase a flood insurance policy on the building. The requirement is for structural coverage equal to the amount of the loan (or other financial assistance) or the maximum amount available, whichever is less. The maximum amount available for a single-family house is \$185,000.

The mandatory purchase requirement does not affect loans or financial assistance for items that are not covered by flood insurance policy, such as vehicles, business expenses, landscaping, and vacant lots. It does not affect loans for buildings that are not in the Special Flood Hazard Area, even though a portion of the lot may be flood-prone.