

Flood Hazard: Check Before You Buy

Flooding and other surface drainage problems can occur well away from a river, lake, or ocean. If you're looking at a property, it's a good idea to check out the possible flood hazard before you buy. Here's why:

- The force of moving water or waves can destroy a building.
- Slow-moving floodwaters can knock people off their feet or float a car.
- Even standing water can float a building, collapse basement walls, or buckle a concrete floor.
- Water-soaked contents, such as carpeting, clothing, upholstered furniture, and mattresses, may have to be thrown away after a flood. · Some items, such as photographs and heirlooms, may never be restored to their original condition.
- Floodwaters are not clean: floods carry mud, farm chemicals, road oil, and other noxious substances that cause health hazards.
- The impact of a flood—cleaning up, making repairs, and the personal losses—can cause great stress to you, your family, and your finances.

Floodplain Regulations: Your community regulates construction and development in the floodplain to ensure that buildings will be protected from flood damage. Filling and similar projects are prohibited in certain areas. Houses substantially damaged by fire, flood, or any other cause must be elevated to or above the flood level when they are repaired.

Check for the Flood Hazard: Before you commit yourself to buying property, do the following:

- Ask the local building, zoning, or engineering department if the property is in a floodplain; if it has ever been flooded; what the flood depth, velocity, and warning time are; if it is subject to any other hazards; and what building or zoning regulations are in effect.
- Ask the real estate agent if the property is in a floodplain, if it has ever been flooded, and if it is subject to any other hazards, such as sewer backup or subsidence.
- Ask the seller and the neighbors if the property is in a floodplain, how long they have lived there, if the property has ever been flooded, and if it is subject to any other hazards.

Flood Protection: A building can be protected from most flood hazards, sometimes at a relatively low cost. New buildings and additions can be elevated above flood levels. Existing buildings can be protected from shallow floodwaters by regrading, berms, or floodwalls. There are other retrofitting techniques that can protect a building from surface or subsurface water.

Flood Insurance: Homeowners insurance usually does not include coverage for a flood. One of the best protection measures for a building with a flood problem is National Flood Insurance, which is purchased through any property insurance agent. If the building is located in a floodplain, flood insurance will be required by most mortgage lenders (see other side). Ask an insurance agent how much a flood insurance policy would cost.

About the Mandatory Purchase of Flood Insurance Requirement

NFIP: This community participates in the National Flood Insurance Program (NFIP), which makes federally backed flood insurance available for all eligible buildings, whether they are in a floodplain or not.

Flood insurance covers direct losses caused by surface flooding, including a 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: building and contents. Building coverage is for the walls, floors, insulation, furnace, and other items permanently attached to the structure. Contents coverage may be purchased separately, if the contents are in an insurable building.

Mandatory Purchase Requirement: The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 made the purchase of flood insurance mandatory for federally backed mortgages on buildings located in Special Flood Hazard Areas (SFHAs). It also affects all forms of Federal or Federally related financial assistance for buildings located in SFHAs. The SFHA 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."

The rule applies to secured mortgage loans from such financial institutions 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. Federal financial assistance programs affected by the laws include loans and grants from agencies such as the Department of Veterans Affairs, Farmers Home Administration, Federal Housing Administration, Small Business Administration, and the Department of Homeland Security's Federal Emergency Management Agency (FEMA).

How it Works: Lenders are required to complete a Standard Flood Hazard Determination (SFHD) form whenever they make, increase, extend or renew a mortgage, home equity, home improvement, commercial, or farm credit loan to determine if the building or manufactured (mobile) home is in an SFHA. It is the Federal agency's or the lender's responsibility to check the current Flood Insurance Rate Map (FIRM) to determine if the building is in an SFHA. Copies of the FIRM are available for review in most local government building or planning departments. Lenders may also have copies or they use a flood zone determination company to provide the SFHD form.,

If the building is in a SFHA, the Federal agency or lender is required by law to require the recipient to purchase a flood insurance policy on the building. Federal regulations require building coverage equal to the amount of the loan (excluding appraised value of the land) or the maximum amount of insurance available from the NFIP, whichever is less. The maximum amount available for a single-family residence is \$250,000. Government sponsored enterprises, such as Freddie Mac and Fannie Mae, have stricter requirements.

The mandatory purchase requirement does not affect loans or financial assistance for items that are not covered by a flood insurance policy, such as vehicles, business expenses, landscaping, and vacant lots. It does not affect loans for buildings that are not in an SFHA, even though a portion of the lot may be. While not mandated by law, a lender may require a flood insurance policy, as a condition of a loan, for a property in any zone on a FIRM.

If a person feels that a SFHD form incorrectly places the property in the SFHA, he or she may request a Letter of Determination Review from FEMA. This must be submitted within 45 days of the determination. More information can be found at http://www.fema.gov/plan/prevent/fhm/fq_gen11.shtm.