

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 a 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

The NFIP: The National Flood Insurance Program (NFIP) is a federal program enabling property owners in participating communities to purchase flood insurance on eligible buildings and contents, whether they are in or out of a floodplain. This community participates in the NFIP, making federally backed flood insurance available to its property owners.

The NFIP insures most walled and roofed buildings that are principally above ground on a permanent foundation, including mobile homes, and buildings in the course of construction. Property owners can purchase building and contents coverage from any local property and casualty insurance agent. To find a local insurance agent that writes flood insurance in your area visit www.floodsmart.gov.

Mandatory Purchase Requirement: Pursuant to the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994, the purchase of flood insurance is mandatory for all federal or federally related financial assistance for the acquisition and/or construction of buildings in Special Flood Hazard Areas (SFHAs). An SFHA is defined as any A of V flood zone on a Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM).

The mandatory purchase requirement also applies to secured 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 Reserve, the Federal Deposit Insurance Corporation, the Comptroller of Currency, the Farm Credit Administration, the Office of Thrift Supervision, and the National Credit Union Administration. It further applies to all 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 FEMA disaster assistance.

How it Works: When making, increasing, renewing, or extending any type of federally backed loan, lenders are required to conduct a flood zone determination using the most current FEMA FIRM to determine if any part of the building is located in an SFHA. If the building is in an SFHA, the federal agency or lender is required by law to provide written notification to the borrower that flood insurance is mandatory as a condition of the loan. Even though a portion of real property on which a building is located may lie within an SFHA, the purchase and notification requirements do not apply unless the building itself, or some part of the building, is in the SFHA. However, lenders, on their own initiative, may require the purchase of flood insurance even if a building is located outside an SFHA. Up to 25% of all NFIP flood losses arise from outside SFHAs (B, C, and X Zones).

Under federal regulations, the required coverage must equal 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 of coverage available for a single-family residence is \$250,000 and for non-residential (commercial) buildings is \$500,000. Federal agencies and regulators, including government-sponsored enterprises, such as Freddie Mac and Fannie Mae, may have stricter requirements.