

## About the Mandatory Purchase of Flood Insurance

**The NFIP:** Guilford County participates in the National Flood Insurance Program (NFIP), which 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.

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](http://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). The SFHA is the base floodplain (a.k.a. 1% Annual Chance floodplain or 100-year floodplain) mapped on a Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM). It is shown on the FIRM as one or more zones that begin with the letter "A" or "V."

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:** Before a person can receive any type of federally backed loan, mortgage or other financial assistance, Federal agencies and lenders are required to conduct a flood zone determination and complete a Standard Flood Hazard Determination (SFHD) form to determine if the building or manufactured (mobile) home is in a SFHA. The flood zone determination is required whenever making, increasing, renewing or extending any type of federally backed loan, mortgage, home equity, home improvement, commercial, or farm credit loan. It is the Federal agency's or lender's responsibility to check the current FIRM to determine if the building is in a SFHA. Copies of the FIRM are available on FEMA's Flood Map Service Center website at <https://msc.fema.gov/portal/home>, NC FRIS website at <https://fris.nc.gov/> and at most local Planning & Development Departments. Lenders may also have copies of the FIRM or they can 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 of building 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.

Even though a portion of real property on which a building is located may lie within a SFHA, the purchase of flood insurance is not required for a federally backed loan 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 a SFHA. 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.

If a person feels that a SHFD form incorrectly places the property in the SFHA, then they may request a Letter of Determination Review (LODR) from FEMA. This must be submitted within 45 days of the determination. More information can be found at <https://www.fema.gov/>.