

NFIP

New Hampshire's Floodplain Management Program

Fact Sheet #4

Lender Floodplain Determination and Flood Insurance Purchase Requirements

Terms to Know

BFE - Base Flood Elevation: the elevation the 1% or 100-year flood is expected to rise to.

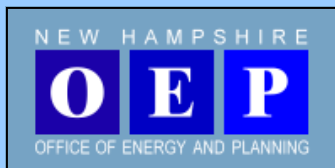
Special Flood Hazard Area - (100-year floodplain) areas that will be inundated by the flood event having a 1-percent chance of being equaled or exceeded in any given year.

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Lender Floodplain Determinations

[Why is my lender requiring me to purchase a flood insurance policy as a condition of my mortgage or loan?](#)

For virtually every mortgage transaction involving a structure in the United States, a lender is obligated under the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 to review the current FEMA floodplain map for the community in which the property is located to determine its location relative to the special flood hazard area (e.g. 100-year floodplain). If the lender determines that the structure is located within a special flood hazard area and the community is participating in the National Flood Insurance Program, the borrower is then notified that flood insurance will be required as a condition of receiving the loan.

[Why is my lender now requiring me to purchase a flood insurance policy when I've had a mortgage or a loan for several years?](#)

A similar review and notification as described above is completed whenever a new or revised FEMA floodplain map is issued for a community, a loan is sold on the secondary loan market, or when the lender completes a routine review of its mortgage portfolio.

[Why is my lender requiring a flood insurance policy when my building is outside a special flood hazard area?](#)

For buildings located outside a special flood hazard area, the statutory requirements do not obligate lenders to impose the mandatory flood insurance purchase requirement. However, in accordance with most mortgage documents, a lender is free to require a borrower to carry flood insurance, even if the building serving as security for a loan is located outside a special flood hazard area.

[How did my lender determine my house to be in a special flood hazard area?](#)

The determination of a building's location must be made using the current FEMA floodplain map and may be supplemented with other reliable information (e.g. tax or parcel map of property). The lender must take the responsibility for making flood zone determinations, either by making the determination internally or acquiring determination services from a third party (e.g. flood determination companies). **FEMA does not perform individual property flood hazard**

Lender Floodplain Determination and Flood Insurance Purchase Requirements

determinations. A lender cannot rely on the statements of a borrower that the structure in question is either inside or outside a special flood hazard area.

[How did my lender determine the amount of flood insurance coverage that I need to have on my house?](#)

A lender must require the purchase of flood insurance in the amount of the **lowest** of: 1.) the outstanding principal balance of the loan; 2.) the insurable value of the building; or 3.) the maximum amount of insurance available under the National Flood Insurance Program.

If the lowest flood insurance amount "option" is the loan balance, your lender **may** still employ its own business practices, as authorized under the terms of your mortgage, and require the building securing a loan be insured to its full insurable value (even if that value exceeds the \$250,000 limit of coverage available through the National Flood Insurance Program). If the lender is exceeding the federal requirements, it must explain this fact to its borrower. The two authoritative entities - 1.) the federal requirement (lowest of the three above) and 2.) the actual terms of the mortgage - are separate and are not one and the same.

[Where can I learn more information about a lender's mandatory purchase of flood insurance requirements?](#)

For more information about lenders' responsibilities regarding floodplain determinations and flood insurance purchase requirements, please view the **Mandatory Purchase of Flood Insurance Guidelines** at: www.fema.gov/library/viewRecord.do?id=2954.

Flood Insurance

[Who can purchase a flood insurance policy?](#)

Flood insurance through the National Flood Insurance Program (NFIP) is available to **all** residents in a community that participates in the NFIP regardless of whether someone lives in a special flood hazard area or not. To learn which communities in New Hampshire participate in the NFIP, please go to: www.nh.gov/oep/programs/floodplainmanagement (see bottom of page for link to map and table).

[Why do I need flood insurance?](#)

The most common natural hazard in New Hampshire is flooding. Flood insurance reimburses for covered losses due to a flood when a homeowner's insurance does not and when disaster assistance is not available. Homeowners can buy up to \$250,000 of coverage; business owners, up to \$500,000. Separate contents coverage is available, so renters can also buy protection. Disaster assistance is most commonly in the form of a loan that must be paid back with interest. **Even if a property owner can prove their structure is located higher than the floodplain they should still consider purchasing the much lower cost flood policy called a Preferred Risk Policy since a risk of flooding is likely to remain.** For more information about this policy, see below on where to find more information.

[Where can I purchase a flood insurance policy?](#)

A National Flood Insurance Program (NFIP) flood insurance policy may be purchased from any licensed private property insurance agent or broker who is in good standing in the State and has an agreement with FEMA to sell and service NFIP flood insurance policies. Check with your existing insurance agent or go to FEMA's FloodSmart web site at: www.floodsmart.gov or call 1-888-379-9531.



Lender Floodplain Determination and Flood Insurance Purchase Requirements

How is the flood insurance policy premium determined?

A number of factors are considered in determining the premium for a flood insurance policy. They include the amount of coverage purchased; location; age of the building; building occupancy; design of the building; and, for buildings in a special flood hazard area, elevation of the building in relation to the Base Flood Elevation. Buildings eligible for special low-cost coverage (Preferred Risk Policy) at a pre-determined, reduced premium rate are single-family, one- to four-family dwellings, and non-residential buildings located in moderate-risk Zones B, C, and X.

Should I purchase a flood insurance policy on my own or have my lender purchase it on my behalf?

If the lender has determined that flood insurance is required, a borrower must purchase a flood insurance policy for the coverage specified by the lender prior to the closing of the loan. If the loan is already in place, the lender is required to give the borrower 45 days to purchase a flood insurance policy. If the borrower fails to purchase such flood insurance within the 45 days, the lender or servicer shall purchase the insurance on behalf of the borrower and may charge the borrower for the cost of premiums and fees incurred by the lender or servicer. **It is highly recommended that borrowers purchase their own flood insurance policy within the 45-day period since the lender's forced-placed policy is much more costly.**

Where can I find more information about flood insurance or find an agent?

For more information about flood insurance policies and coverage and how to find an agent, please go to FEMA's FloodSmart web site at: www.floodsmart.gov or call 1-888-379-9531.

FEMA Floodplain Maps

What are the FEMA floodplain maps and how were they made?

Floodplain mapping began in the 1970s following the creation of the National Flood Insurance Program in 1968. Flood hazard areas are determined using statistical analyses of records of riverflow, storm tides, and rainfall; information obtained through consultation with the community; floodplain topographic surveys; and hydrologic and hydraulic analyses.

Special flood hazard areas, which are defined as the areas that will be inundated by the flood event having a 1-percent chance of being equaled or exceeded in any given year, are labeled as Zone A, Zone AO, Zones A1-A30, Zone AE, Zone V, Zone VE, and Zones V1-V30. For more information about the FEMA floodplain maps and where to view the floodplain maps, please go to: www.nh.gov/oep/programs/floodplainmanagement/maps.htm.

Why did FEMA's map change? Where have the maps changed in New Hampshire?

In 2003, a nationwide effort by FEMA called the Map Modernization Program began to update all floodplain maps many of which were last updated in the 1970s and 1980s. The goal of the Map Modernization Program is to upgrade flood hazard data and floodplain mapping to improve floodplain management across the country. The improvements include overlaying the flood data on a new aerial photo and making the maps available in a digital format. Currently, in New Hampshire, the floodplain maps in seven counties (Cheshire, Grafton, Hillsborough, Merrimack, Rockingham, Strafford, and Sullivan) have been updated. Updated floodplain maps for Carroll and Coos counties are expected in early 2013.

For more information about this effort and the mapping status of New Hampshire's counties, please go to: www.nh.gov/oep/programs/floodplainmanagement/modernization.htm.

Letter of Map Amendment Process

[My lender says my house is in a special flood hazard area. If my house floods, the entire town would be under water. How can I appeal my lender's determination?](#)

Due to the scale of the maps, sometimes structures or properties are inadvertently included in a special flood hazard area but in fact are located on ground higher than the floodplain. FEMA has an appeal process for such cases, which involves the submittal of a Letter of Map Amendment (LOMA) application (http://www.fema.gov/plan/prevent/fhm/dl_mt-ez.shtm) also known as the MT-EZ form. There is no fee to apply.

A LOMA is the official FEMA process to remove a structure from the floodplain. A LOMA from FEMA is usually the only documentation that a lender will accept to release the flood insurance requirement. **It is recommended that a property owner verify with their lender that they will accept a LOMA and therefore waive the flood insurance purchase requirement.** This is important since the lender is not required to waive the flood insurance requirement and may decide that flood insurance coverage is still required as a condition of the loan regardless of a LOMA.

The purpose of the MT-EZ form is to request FEMA to remove a structure from the floodplain by showing that the lowest adjacent grade next to the structure (the elevation of the lowest ground touching the structure including attached decks or garage) is located above the base flood elevation (the elevation the water is expected to rise to during a base or 100-year flood).

[How much does this application process cost? Where can I find a surveyor?](#)

There is no application fee for a LOMA. However, a property owner will likely need to hire a surveyor since a Licensed Land Surveyor must complete Section B of the MT-EZ form or a FEMA Elevation Certificate, which may be submitted in place of Section B of the MT-EZ application form. For assistance in finding a surveyor in your area, please go to: www.nhlsa.org/findsurv.htm.

[My house is located in Zone A with no base flood elevation. What do I do?](#)

If the structure is located in or near a Zone A and there is no known base flood elevation developed by a state or federal agency, the MT-EZ application form or Elevation Certificate can be submitted without a base flood elevation along with a request to FEMA to determine the base flood elevation based on the information supplied by the surveyor.

[What if I need to purchase a flood insurance policy before my LOMA application is approved?](#)

If flood insurance is required to be purchased as a condition of a loan before the LOMA application process is completed (approximately 45 - 60 days), a refund on the policy may be requested if FEMA approves the LOMA. Please see "Effect on Insurance Purchase Requirements" on pages 2 and 3 of the MT-EZ form instructions or talk to your insurance agent. **Even if a property owner can prove their structure is located higher than the floodplain they should still consider converting their current flood policy to the much lower cost flood policy called a Preferred Risk Policy since a risk of flooding is likely to remain.** For more information about this policy, talk to your insurance agent or visit FEMA's FloodSmart web site at: www.floodsmart.gov or call 1-888-379-9531.

[Who can I contact with any questions regarding the LOMA application process?](#)

The FEMA Map Information Exchange, who reviews the LOMA applications, toll free at 1-877-336-2627.