

## National Flood Insurance Program

**Daviess County and the City of Owensboro, Kentucky**, participate in the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency (FEMA). The City of Whitesville does not participate because there are no identified flood hazard areas within its jurisdiction.

The NFIP makes federally backed flood insurance available for all 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 manufactured homes (mobile homes), with two types of coverage: structural and contents. Structural coverage 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 (SFHA). This requirement affects loans and grants for the purchase, construction, repair, or improvement of any publicly or privately owned building in the SFHA, including machinery, equipment, fixtures, and furnishings contained in those 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 FEMA. 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 an SFHA. 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." Copies of the FIRM are available for review in most local government building or planning departments.

**The local FIRM maps may be viewed at the OMPC Planning Office**, 200 East 3<sup>rd</sup> Street, Owensboro, Kentucky, from 8 AM to 4:30 PM, Monday-Friday. OMPC staff will assist the public in locating the appropriate map sheet and can make copies as needed. However, the OMPC staff does not make flood zone determinations for flood insurance purposes. For particular properties located at the margins of mapped flood zones, one may contact a registered land surveyor who, for a fee, can produce a definitive Flood Elevation Certificate.

**Many lenders and insurance agents also have copies of the FIRM maps. It is the insurance agency's or the lender's responsibility to check the FIRM to determine if the building is in an SFHA.**

**If the building is in an SFHA, the insurance 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 \$250,000.

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 the SFHA, even though a portion of the lot may be flood-prone. 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.

*Source: Federal Emergency Management Agency – NFIP/CRS - Record-Keeping Guidance, January 1999*