

THE BOROUGH OF ETNA
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FLOOD INSURANCE

NATIONAL FLOOD INSURANCE PROGRAM (NFIP): This community participates in the National Flood Insurance Program, 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 or stream flowing over its banks, a lake or ocean storm and local drainage problems. The NFIP insurance buildings, including mobile homes, with two types of coverage: Building or 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 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 the **Special Flood Hazard Area (SFHA)**. It also affects all forms of Federal or Federally related finance assistance for buildings located in the 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, saving banks and credit unions that are regulated, supervised or insured by Federal agencies such as the Federal Deposit Insurance Corp. 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 a SFHA. It is the Federal agency or the lenders responsibility to check the current Flood Insurance Rate Map (FIRM) to determine if a building is in the SFHA. Copies of the FIRM are available for review in most local government buildings or planning departments and ours is on display in our municipal building. 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 \$250,000.00. Government sponsored enterprises, such as Fannie Mae or Freddie Mac, 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 the 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/national-flood-insurance-program-flood-hazard-mapping/mt-1-application-forms.com>