

About the Mandatory Purchase of Flood Insurance Requirement

The Town of Hull participates in the National Flood Insurance Program (NFIP), 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 oceans storms and local drainage problems.

The NFIP insures buildings with two types of coverage: building and contents. Building coverage is for 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.

Federal laws make the purchase of flood insurance mandatory for federally backed mortgages on buildings located in Special Hazard Flood Areas (SFHAs). They also affect all forms of Federal or Federally related financial assistance for buildings located in SFHAs. The SFHA is the base (100-year) floodplain mapped on the Flood Insurance Rate Map (FIRM). Any building located in a zone that begins with the letter "A" or "V" is in a SFHA.

The requirement applies to secured mortgage loans from such 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.

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.

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 is in an SFHA. It is the Federal agency's or the lender's responsibility to check the current FIRM to determine if the building is in an SFHA. The FIRMs are available for review on the second floor of Hull Town Hall.

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 home is \$250,000. Government sponsored enterprises such as Freddie Mac and Fannie Mae 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 an 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/plan/prevent/floodins/infocon.shtm>