



Mesa County Department of Public Works

Administration - Building - Engineering – Transportation - Fleet Management -
Solid Waste Management

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Regarding Mandatory Purchase of Flood Insurance Requirements

Mesa County is providing this letter, which provides information on the requirements of the National Flood Insurance Program (NFIP), as courtesy to our local realtors, insurance agencies and lenders. Recently several hundred homes have been added to the FEMA 100-year floodplain, and Mesa County has received a number of inquiries about the program from affected interests.

Mesa County participates in the 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 a river flowing over its banks and local drainage problems.

The Flood Disaster Protection 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 Special Flood Hazard Areas (SFHAs). It also affects all forms of Federal or Federally related financial assistance for buildings located in 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”. FEMA updated Mesa County’s maps during 2012. An interactive, electronic version of the maps that affect Mesa County can be found at the following link:

<http://www.imap.mesacounty.us/MapSearch/Default.aspx?Value=FloodMap>.

The requirements apply to secured mortgage 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 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 requirement 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.)

The NFIP insures buildings, including mobile homes, with two types of coverage: building and 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.

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’s or the lender’s responsibility to check the current FIRM to determine if the building is in a SFHA.

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. 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 building that are not in a 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 with forty five days of the determination. More information can be found at http://www.fema.gov/plan/prevent/fhm/fq_genhm.shtm

For further information on the NFIP, contact: Carrie Gudorf, Mesa County Floodplain Administrator, at (970) 244-1811.