

Benefits of Participating in the National Flood Insurance Program

Frequently Asked Questions

Q: Are there any State of Iowa sanctions on a community for not participating in the National Flood Insurance Program (NFIP)?

A: Yes. Iowa Legislative Code 455B.262A requires that all communities with FEMA identified Special Flood Hazard Areas (SFHA) within their political boundaries must participate in the NFIP or risk losing State financial assistance following a presidentially declared flooding disaster. Communities that fail to join the NFIP by June 30, 2011 (or 24 months following the effective map date for communities newly identified with a SFHA) will be ineligible to receive financial assistance for future flood-related disasters. This also applies to communities applying for mitigation grants.

Q: What does a community need to do in order to participate in the NFIP? Is there much work involved in administering the program?

A: Communities are required to adopt and enforce a floodplain management ordinance and appoint a local official to administer it. The ordinance regulates development in the floodplain to minimize losses caused by flooding. The appointed local official is required to issue permits for development within the SFHA to ensure life and property are reasonably safe from flooding. Local officials should occasionally inspect the floodplain to ensure no new development is being built in violation of the ordinance. In addition to the ordinance, the community must also pass a resolution of intent to join the NFIP and complete a simple, one-page application form. Model documents that satisfy NFIP requirements are available from the Iowa Department of Natural Resources.

Q: What happens if a community does not enforce its floodplain management ordinance?

A: FEMA can sanction communities by placing them on probation or suspending them from the NFIP. Probation is the first step towards suspension and gives communities time to bring violations into compliance with the ordinance. During probation policyholders will see a \$50 surcharge on their flood insurance premiums when a policy is renewed or issued. If communities neglect to address violations during probation, FEMA will place them on suspension. When communities are suspended flood insurance policies will not be renewed or issued. Property owners located within the SFHA will not receive federal disaster assistance or federally insured loans or financing.

Q: How much does it cost a community to join the NFIP?

A: Nothing; there is no cost or fee required for a community to join the NFIP.

Q: Other than flood insurance, what other benefits come with participating in the NFIP?

A: Federal grants and loans from federal agencies such as the Environmental Protection Agency, Housing and Urban Development, and the Small Business Administration can be granted to properties located in identified SFHA. Financial assistance from federal agencies such as the Federal Housing Authority, Veteran's Assistance, Farmer's Home Administration, Small Business Administration, Fannie Mae and Freddie Mac is made available for properties located in the SFHA.

Q: If a community joins the NFIP, are the property owners forced to buy flood insurance?

A: No. There is no general requirement or mandate that requires citizens to purchase flood insurance. However, if a loan (like a mortgage) is taken out on a structure located in the floodplain then it is up to the discretion of the lending institution whether or not to require flood insurance. Joining the NFIP does not alert banks to the fact that flood insurance can now be required. The flood hazard maps for the community are already in use by the banks and they may require flood insurance even if the community is not participating.

Q: Won't the regulations of the NFIP hamper my ability to improve my property?

A: Employing wise floodplain management can protect future development and improvements from devastating financial loss resulting from flood disasters.

Q: Won't federal disaster assistance pay for flood damages to my home?

A: Before a community is eligible for disaster assistance, it must be declared a federal disaster area by the President. Federal declarations are issued in fewer than 50% of all flood events. If a community is declared a disaster area, most assistance is provided in the form of a loan that must be repaid with interest. Plus, you may be required to purchase a flood insurance policy as a condition of receiving federal disaster assistance. Because flood insurance is not available in a non-participating community, properties located in the SFHA are not eligible for many disaster assistance programs if the community is not enrolled in the NFIP.

Property owners in your community may want to consider the benefits offered by flood insurance. Flood insurance claims are paid even if a disaster is not declared by the President. The policies are continuous and can not be cancelled for repeat losses.

Q: Can a community protect citizens from mandatory purchase clauses simply by not participating in the NFIP?

A: It used to be that when a mortgage was issued by a local bank and held in-house for the duration of that loan, the issuing bank could waive its right to mandate flood insurance coverage if the community was not participating in the NFIP. However, banking practices have changed in recent years and most banks now sell their loan portfolios on the secondary market. The buyers on the secondary market can and do enforce mandatory purchase of flood insurance, regardless if the community is participating in the NFIP or not.

Q: Can I buy flood insurance if I live in a high flood risk area?

A: Yes, Federally-backed flood insurance is made available to all property owners living in a community that participates in the NFIP whether their property is in the floodplain or not.

Q: Won't my homeowners insurance cover damages caused by floods?

A: No, most homeowners' policies do not cover damages caused by flooding. However, homeowners can purchase up to \$250,000 of coverage for their structure and \$100,000 for their personal contents through the NFIP. Businesses can purchase up to \$500,000 for their building and \$500,000 in contents. Content coverage is also available to those living in condominiums and apartments.

Q: I don't live in a high risk flood area, why do I need flood insurance?

A: No, you don't need to. However, about 25% of all flood insurance claims are paid out for losses located in low to moderate risk flood hazard areas.

Q: Where can I purchase flood insurance?

A: There are over 30 private insurance companies in Iowa that have an agreement with FEMA to sell and service flood insurance. (Visit www.FloodSmart.gov to find a list of agents in your area)

Q: How much does flood insurance cost?

A: Depending on your proximity to the SFHA, the cost will vary. The average policy can cost about \$500/year. Property owners located outside of the high risk areas can purchase a Preferred Risk Policy for about \$119/year. Flood insurance premiums can typically be escrowed into monthly mortgage payments.

Q: Can a person purchase flood insurance that is not underwritten by the NFIP?

A: Yes, but it is often 2-3 times more expensive than that available from the NFIP.

Q: Are basements covered under flood insurance policies?

A: Yes. The NFIP defines a basement as any area of a building with a floor that is below ground level on all sides. While flood insurance does not cover basement improvements such as finished walls, floors, or ceilings; or personal belongings that may be kept in a basement such as furniture and other contents; it does cover structural elements and essential equipment.

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