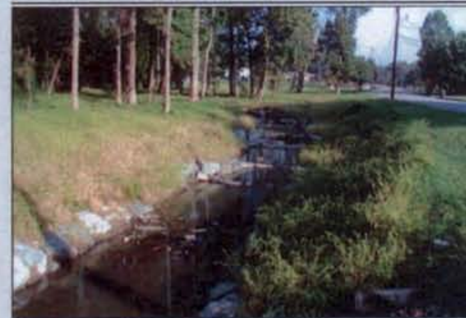


Understanding Flood Map Modernization

USING PRELIMINARY FLOOD HAZARD MAPS

RELEASING PRELIMINARY FLOOD HAZARD MAPS

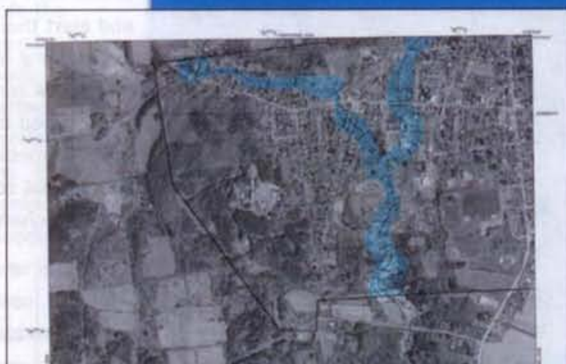
The release of preliminary flood hazard maps, or Digital Flood Insurance Rate Maps (DFIRMs), is an important step in the mapping lifecycle for a community. This release provides community officials, the public, and other stakeholders with their first view of the current flood hazards, including changes that may have occurred in the flood risks throughout the community (or county) since the last flood hazard map was published.

Typically, preliminary flood hazard maps are officially released at a meeting with community officials, which is then followed by a public comment period (the Appeals Period). The flood maps will be made available locally in paper form and some communities may also post the maps on a website. Making the preliminary maps available online allows citizens easier access to this information. It is important for stakeholders and property owners to understand how to use the preliminary maps to determine how they may be affected by them.

PROPERTY OWNERS CAN TAKE ADVANTAGE OF "GRANDFATHERING"

If a property is *mapped into a high-risk area* (shown as a zone labeled with letters starting with "A" or "V") and the owner has a mortgage through a federally regulated or insured lender, *flood insurance will be required when the DFIRMs become effective.* Lenders do have the option to make the purchase of flood insurance a condition for their loans *at any time*, and some lenders may institute such requirements in advance of the maps becoming effective. Property owners, who obtain flood insurance before the DFIRMs become effective and then maintain it, may be able to benefit from the National Flood Insurance Program's "grandfathering" insurance rating process and pay a lower premium. Property owners should contact their insurance agent for more information.

If a property is *mapped from a high risk zone into a low- or moderate-risk zone* (shown as a zone labeled with the letter "X"), it is at the lender's discretion whether or not to require coverage. Property owners should remember that *the flood risk has only been reduced, not eliminated*. Most property owners can maintain coverage by easily converting their current flood insurance policy to the lower-cost Preferred Risk Policy (PRP), with premiums starting as low as $119 a year. A PRP offers a significant cost savings while still providing coverage and the benefit of protection.



Sample Preliminary Map

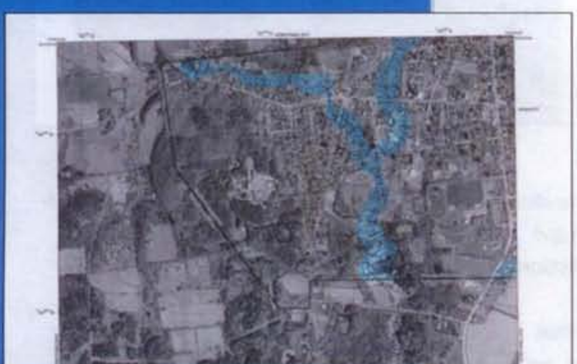
FEMA

Understanding Flood Map Modernization

USING PRELIMINARY FLOOD HAZARD MAPS

INSURANCE AGENTS CAN PREPARE THEIR CLIENTS TO "LOCK-IN" SAVINGS

Insurance agents can compare the existing FIRMs and the preliminary DFIRMs to see how their clients may be affected and alert them to the upcoming change. If a building is going to be *mapped into a high-risk zone*, the owner should be encouraged to purchase (or maintain) a policy immediately and "grandfather" or lock in that zone for rating purposes when the map changes.



Sample Effective Map

If a building will be *mapped out of a high-risk area*, the property owner's flood insurance policy may be eligible for conversion to a PRP when the preliminary DFIRMs become effective. If this is the case, the owner will receive a refund for the difference in the premium paid with no gap in coverage. Insurance agents should remember that they must always rate flood insurance policies using information from the *FIRM that is currently in effect* and *not* from the preliminary flood hazard map.

LENDERS CAN AVOID CLOSING DELAYS

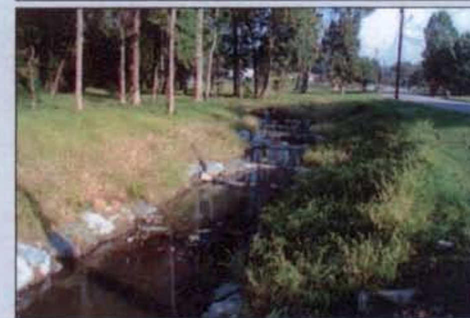
Flood insurance must be in place for a property in a high-risk zone if the mortgage is through a federally regulated or insured lender. When the preliminary DFIRMs are released, lenders (or their flood zone determination company) should not use them to determine the Federal mandatory purchase requirements. Some lenders may choose to require it as part of their internal underwriting of the loan, but it should not be used for complying with the Federal requirement.

As the DFIRM effective date nears, local loan originators and mortgage brokers should refer to the preliminary DFIRMs to determine whether a property might be mapped into a high-risk area when the maps become effective. By informing the borrower of this potential change before a loan is finalized, delays in loan closing that result from changes in flood insurance requirements will be minimized.

REAL ESTATE AGENTS CAN AVOID UNPLEASANT SURPRISES

Real estate agents and brokers can use the preliminary DFIRMs to determine what zone changes are likely to occur and how that might affect any properties for sale. This will help avoid any surprises at the time of closing that could delay and perhaps jeopardize the purchasing/sale of a property. Real estate agents and brokers should also become familiar with the flood insurance "grandfathering" options that can help keep insurance costs down, including the possible transferring of an existing flood insurance policy to the new owner.

FEMA



ENGINEERS/DEVELOPERS/ BUILDERS CAN PLAN FOR SAFER CONSTRUCTION

The building industry should be aware of the differences between the flood hazard information presented on the currently effective FIRM and Flood Insurance Study (FIS) versus the updated flood hazard information presented on the preliminary DFIRM and associated FIS. The more conservative data between the two is typically required by the communities (and recommended by FEMA) to be used for design and permitting purposes. This will remain the case until the DFIRMs become effective. Note that even though the preliminary DFIRM data may sometimes show less restrictive information for an area compared to the current effective DFIRM data, it should not be used until it becomes effective.

PRELIMINARY FLOOD HAZARD MAPS: A KEY STEP IN CREATING SAFER COMMUNITIES

Flood risks can change over time. Water flow and drainage patterns can change dramatically because of surface erosion, land use, and natural forces. Preliminary flood maps help inform public officials, floodplain managers, industry stakeholders, and the public about how the community's flood risks have changed.

Using the preliminary DFIRMs, builders and developers can choose safer locations and start building at safer elevations; property owners can see if their flood risk has increased and choose to purchase flood insurance to start protecting themselves before the map changes. Lenders can review how their portfolio of loans or new loans coming up for closing might be affected and be better prepared to take action when the maps become effective. Real estate agents and insurance agents can determine their client's risk of flooding and the options available before or after the preliminary flood maps become effective. The preliminary DFIRMs are an important step in helping a community protect lives and reduce property damage as a result of flooding.

The Department of Homeland Security's Federal Emergency Management Agency (FEMA) is responsible for administering the National Flood Insurance Program (NFIP). FEMA and its partners provide flood hazard data and maps in support of the NFIP. Up-to-date flood hazard information and maps are needed to support the purchase and rating of flood insurance, enable community-based floodplain management, and increase the Nation's flood hazard awareness.

Please see your community official for more information about where preliminary maps for your area are available for viewing.

Understanding Flood Map Modernization

FLOOD INSURANCE AND THE GRANDFATHERING RULE

NEW FLOOD MAPS: NEW INSURANCE REQUIREMENTS

The Federal Emergency Management Agency's (FEMA's) nationwide Flood Map Modernization (Map Mod) effort to update the current flood hazard maps is resulting in more reliable, easier-to-use, readily available Digital Flood Insurance Rate Maps (DFIRMs). Consequently, residents and business owners are able to obtain updated information about their current flood risks. In some cases, a property may be mapped into a lower risk zone; for others, a property's risk may change from a low- or moderate-risk area to a high-risk area. Other changes could include a change in high-risk area designation (e.g. from a zone beginning with the letter "A" to a zone beginning with the letter "V") or a change in the Base Flood Elevation (BFE)[1].

Being mapped into a higher risk zone or a change in BFE can result in an increase in flood insurance premium. It is important that property owners understand their options following changes to their community's DFIRMs. To recognize property owners that owned a policy before the maps became effective, or built to the correct standards relative to the flood map in effect at the time of construction, the National Flood Insurance Program (NFIP) has "Grandfather" rules to allow these property owners to benefit in the flood insurance rating of their building. This rating results in a cost savings to policyholders compared to a potential higher premium rate that results from a map revision.

PRE-FIRM BUILDINGS HAVE ONE OPPORTUNITY

A pre-Flood Insurance Rate Map (pre-FIRM) building is one that was constructed *prior* to the date of the community's first FIRM. In most cases, owners of pre-FIRM buildings have just one opportunity to use the grandfathering rule, which is *before the new DFIRMs become effective.* If a policy is obtained prior to the effective date of a map change, the policyholder is eligible to maintain the prior zone and Base Flood Elevation (BFE), as long as continuous coverage is maintained going forward. Continuity of coverage can be maintained even if the building is sold, as the policy can be assigned to a new owner at the option of the policyholder. There is a 30-day waiting period for a policy to become effective when purchasing a policy that is not required by a lender. The benefits of grandfathering by this method apply as long as the policy is purchased before the DFIRM effective date.

A further way for owners to reduce flood insurance costs on buildings located in low- or moderate-risk areas (identified on the current FIRM with the letters "B", "C", or "X") is to purchase a lower-cost Preferred Risk Policy[2] (PRP) prior to the DFIRM's effective date. This will *lock in the zone* to be used for future rating. When the PRP renews after the DFIRM is effective, it can no longer be written as a PRP but must be written using standard policy rates. However, because the low-

STAYING INFORMED

Knowing when and where map changes are occurring will help you know what insurance options are available. FEMA provides updated monthly listings of all communities that have received a Letter of Final Determination (LFD), a document that states that a flood map will become effective in six months[3].

- **LFD listings:** http://www.fema.gov/plan/prevent/fhm/st_hot.shtm#2.
- **Flood Map Modernization:** http://www.fema.gov/plan/prevent/fhm/mm_main.shtm.
- **Rating using the grandfather rule:** http://www.fema.gov/business/nfip/manual.shtm.
- **Flood Insurance:** http://www.floodsmart.gov.

[1] The height to which flood waters have a 1-percent chance of reaching in any given year.

[2] The property must meet the PRP eligibility requirements; an insurance agent can provide more details.

[3] Assuming that the community passes an ordinance that adopts the new flood maps before the proposed effective date of the map.

FEMA

Understanding Flood Map Modernization

FLOOD INSURANCE AND THE GRANDFATHERING RULE

The Department of Homeland Security's Federal Emergency Management Agency (FEMA) is responsible for administering the National Flood Insurance Program (NFIP). FEMA and its partners provide flood hazard data and maps in support of the NFIP. Up-to-date flood hazard information and maps are needed to support the purchase and rating of flood insurance, enable community-based floodplain management, and increase the Nation's flood hazard awareness.

risk zone was locked in, the policy can be rewritten on a standard rated policy still using its low-risk zone rates (e.g. "X").

If a policy was not obtained for a pre-FIRM structure prior to the effective date of a DFIRM, the applicant cannot use the grandfathering rules for rating; however, the building is still eligible to receive the pre-FIRM rates based on the new zone rather than the actuarial (elevation-based) rates.

POST-FIRM BUILDINGS GET TWO OPPORTUNITIES

Buildings constructed after the effective date of the initial FIRM (known as post-FIRM structures) have two opportunities to apply the grandfathering rules:

- purchase a policy before the DFIRMs become effective and *lock in the zone or BFE* (as described above for pre-FIRM structures); or
- provide evidence that the building was originally built in compliance.

If a post-FIRM building was constructed in compliance with the FIRM in effect at the time of construction, the owner is eligible to obtain a policy using the zone and the BFE from that FIRM, if it will result in a better insurance rate. To do so, the building cannot have been altered in a way that resulted in a floor being lower than the BFE on that FIRM (e.g., enclosing the area below an elevated building) and the building cannot have been substantially improved or damaged. The property owner must also provide proper documentation to the insurance company or agent that shows:

- The date of the FIRM;
- The flood zone on that FIRM in which the property is located;
- The BFE, if any, for that zone;
- A copy of the map panel showing the location of the building; and
- The rating element that is to be grandfathered.

A letter from a community official verifying this information, or an Elevation Certificate, is also acceptable. Note that continuous coverage is not required to maintain this rate. This method of grandfathering can be used at any time after the new DFIRM becomes effective. If used within 13 months of the new DFIRM's effective date, there is a one-day waiting period for the policy to become effective.

USE THE BEST RATE

Sometimes using the data based on the *new* DFIRMs will actually provide better rates than grandfathering. Both options should always be explored; always use the new map if it will provide a more favorable premium (lower rate).

FEMA

NFIP Map & Zone Grandfather Rules

NATIONAL FLOOD INSURANCE PROGRAM

WHAT IS THE GRANDFATHER RULE?

A community will occasionally make structural improvements (dams, levees, etc.) to reduce the potential effects of flooding; experience new development aggravating the flooding situation, thereby expanding the floodplain; revise geographical boundaries resulting in the designation of additional flood hazard areas; or provide information to better delineate the Base Flood Elevation (BFE) and/or flood insurance risk zones. When these situations occur, the Flood Insurance Rate Map (FIRM) is revised and republished.

The implementation of a new FIRM raises the question-- HOW DOES THE NEW MAP AFFECT FLOOD INSURANCE RATES?

To recognize policyholders **who have remained *loyal customers of the NFIP*** by maintaining continuous coverage and/or ***who have built in compliance with the FIRM***, the Federal Emergency Management Agency has "Grandfather rules" to allow such policyholders to benefit in the rating for that building.

PRE-FIRM (CONSTRUCTION PRIOR TO THE DATE OF THE COMMUNITY'S INITIAL FIRM OR PRIOR TO JANUARY 1, 1975)

1. If a policy was obtained prior to the effective date of a map change, the policyholder is eligible to maintain the prior zone and Base Flood Elevation as long as continuous coverage is maintained. The policy can be assigned to a new owner at the option of the policyholder.

2. Exception: If the community's first FIRM was effective *prior* to January 1, 1975, and a building has not been substantially damaged or improved since its original construction, the rates can be based on the FIRM zone and/or the BFE on the FIRM in effect at the time of construction. In this case, proper documentation must be provided. In all other instances, new policies for Pre-FIRM buildings must use the FIRM in effect when the coverage is applied for.

POST-FIRM (CONSTRUCTION ON OR AFTER THE DATE OF THE COMMUNITY'S INITIAL FIRM)

1. If a policy was obtained prior to the effective date of a map change, the policyholder is eligible to maintain the prior zone and base flood elevation as long as continuous coverage is maintained. The policy can be assigned to a new owner at the option of the policyholder.

2. If a building was constructed in compliance with a specific FIRM, the owner is always eligible to obtain a policy using the zone and Base Flood Elevation from that FIRM, provided that proof (refer to the Flood Insurance Manual, Rating section for acceptable documentation) is submitted to the insurance company. Continuous coverage is not required.

PREFERRED RISK POLICIES

1. Buildings written on Preferred Risk Policies are required to be located in zones B, C, or X on the FIRM in effect on the date of application and on the date of each subsequent renewal.

2. A building, which becomes ineligible for a Preferred Risk Policy due to a map change to a Special Flood Hazard Area, can be rewritten on a standard rated policy using zones B, C, or X.

FOR MORE INFORMATION, REFER TO THE FLOOD INSURANCE MANUAL, RATE PAGE 21
Go to http://www.fema.gov/nfip/manual.shtm