

# Floodplain Management Program



## FLOOD INSURANCE PURCHASE REQUIREMENT

**National Flood Insurance Program (NFIP):** Story County participates in the NFIP. The NFIP makes federally backed flood insurance available for all buildings, whether they are in a floodplain or not. Flood insurance covers direct loss caused by surface flooding, including a river flowing over its banks, a lake or storm, and local drainage problems. The NFIP insures buildings, including mobile homes, with two types of coverage: structural and contents. Structural coverage is for the walls, floors, insulation, furnace, and other items permanently attached to the structure. Contents coverage may be purchased separately provided the contents are in an insurable building.

**Mandatory Purchase Requirement:** The mandatory purchase requirement applies to all forms of federal or federally related financial assistance for buildings located in a Federal Emergency Management Agency (FEMA) designated Special Flood Hazard Area (SFHA). This requirement affects loans and grants for the purchase, construction, repair, or improvement of any publicly or privately owned building in the SFHA, including machinery, equipment, fixtures, and furnishings contained in such buildings.

Financial assistance programs affected include loans and grants from agencies such as the Department of Veterans Affairs, Farmers Home Administration, Federal Housing Administration, Small Business Administration, and FEMA. The requirement also applies to secured mortgage loans from 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.

**How it works:** Before a person can receive a loan or other financial assistance from one of the affected agencies or lenders, there must be a check to see if the building is in an SFHA. The SFHA is the base (1% annual chance) floodplain, also known as the “100-year flood”, mapped on a FEMA Flood Insurance Rate Map (FIRM). It is shown as one of more zones that begin with the letter “A”.

Copies of the FIRM can be viewed on FEMA’s website: <http://msc.fema.gov>. They are also available for review at the Story County Administration building—Floodplain Manager’s office, 900 6th Street, Nevada, Iowa 50201. Many lenders and insurance agents also have copies. It is the agency’s or the lender’s responsibility to check the FIRM to determine if the building is in an SFHA, although Story County can provide assistance.

If the building is in an SFHA, the agency or lender is required by law to require the recipient to purchase a flood insurance policy on the building. The requirement is for structural coverage equal to the amount of the loan (or other financial assistance) or the maximum amount available, whichever is less. The maximum available coverage is \$250,000 for a residential structures and \$500,000 for non residential.

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 flood prone. While not mandated by law, a lender may require a flood insurance policy for a property in any zone on a FIRM. In fact, about 20 percent of all flood insurance claims occur in areas not located in the SFHA. Accordingly, FEMA encourages the purchase of flood insurance coverage outside the SFHA and offers preferred risk policies at affordable rates.

Individuals who believe their property has been incorrectly shown in an SFHA can apply for a Letter of Map Amendment (LOMA), or a Letter of Map Revision - based on Fill (LOMR-F) (if fill placement is the basis of the request). In addition, property owners may apply for a Letter of Determination Review (LODR). Forms and additional information can be found on FEMA’s web site at <http://www.fema.gov/forms>.

### Floodplain Management

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