

## About the Mandatory Purchase of Flood Insurance

**The NFIP:** The National Flood Insurance Program (NFIP) is a federal program enabling property owners in participating communities to purchase flood insurance on eligible buildings and contents, whether they are inside or outside of a floodplain. Snohomish County participates in the NFIP, making federally backed flood insurance available to property owners within its jurisdiction.

The NFIP insures most walled and roofed buildings that are principally above ground on a permanent foundation, including mobile homes and buildings under construction. Property owners can purchase building and contents coverage from most local property and casualty insurance agents. If your insurance agent does not sell flood insurance, you can contact the NFIP Help Center at **1-800-427-4661** to request an agent referral.

**Mandatory Purchase Requirement:** Pursuant to the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994, the purchase of flood insurance is mandatory for all federal or federally-related financial assistance for the acquisition and/or construction of buildings within Special Flood Hazard Areas (SFHAs). An SFHA is defined as any A or V flood zone on a Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM).

The mandatory purchase requirement also applies to secured 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 Reserve, the Federal Deposit Insurance Corporation, the Comptroller of Currency, the Farm Credit Administration, the Office of Thrift Supervision, and the National Credit Union Administration. It further applies to all loans purchased by Fannie Mae or Freddie Mac in the secondary mortgage market.

Federal financial assistance programs that are 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 FEMA disaster assistance.

**How it Works:** When making, increasing, renewing, or extending any type of federally backed loan for a building, the lender must conduct a flood zone determination using the most current FEMA FIRM to determine if any part of the building is within an SFHA. If the building falls within the boundaries of an SFHA, the lender is required by law to provide written notification to the borrower that flood insurance is mandatory as a condition of the loan. For real property that is only partially within an SFHA, the notification and purchase requirements do not apply unless the building itself, or some part of the building, is in the SFHA. However, lenders, on their own initiative, may require the purchase of flood insurance for buildings located outside of an SFHA. Up to 25% of all NFIP flood losses occur in areas outside of SFHAs (B, C, and X Zones).

Under federal regulations, the flood insurance coverage on a building must equal 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 of coverage available is \$250,000 for a single-family residence and \$500,000 for a non-residential (commercial) building. Federal agencies and regulators, including government-sponsored enterprises such as Freddie Mac and Fannie Mae, may have stricter requirements.

For more information on SFHAs and FIRMs contact County staff at:  
**Planning & Development Services • 425-388-3311 or**  
**Public Works - Surface Water Management • 425-388-3464**