

NOTE TO OWNERS OF HOMES NOT UNDERGOING FEMA SUBSTANTIAL IMPROVEMENTS

Public Works

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Overview:

Even if a home improvement project is not deemed “substantial” under FEMA regulations, the City encourages owners, when improving their homes, to comply with as many of the provisions of the City’s Flood Damage Prevention ordinance as possible. Here’s why:

Facilitate disaster recovery

In a flood, emergency response and life-saving personnel can do their work faster and more safely when the surrounding structures are in compliance with FEMA regulations. For example, a non-compliant home may slip off its foundation and float away, blocking access routes.

Reduce flood losses

Buildings in compliance with FEMA standards, along with their contents, may suffer less damage during flooding. Meeting the height, venting, anchorage and materials requirements improves the likelihood that a structure will resist flotation, collapse and lateral movement during a flood event.

Reduce flood insurance costs

Lenders of federally funded mortgages require additional insurance for properties within a Special Flood Hazard Area. If a house is raised as part of an improvement project, the mortgage holder might cancel flood insurance or reduce the amount required. Over the course of a 30-year mortgage an owner might realize savings of \$30,000 to \$50,000 by raising their house.

Improve the resilience of the National Flood Insurance Program

Since the private insurance industry could not afford to cover flood claims, it asked the federal government to set up a National Flood Insurance Program (NFIP) in 1968. The industry now provides flood insurance guaranteed by the government. In October of most years, at the beginning of the federal fiscal year, flood insurance rates change to cover prior years’ claims, if necessary, and anticipated claims for the new year.

In July 2012, Congress allowed the NFIP to begin raising rates as much as 20% per year. The reason for these increases is that the NFIP owes \$18 billion to the federal treasury. The NFIP has paid out this amount in claims, over what it has collected in insurance premiums.

For the three years prior to 2005, the NFIP owed nothing to the Treasury; in other words claims paid out equaled premiums paid in. The \$18 billion covered damages caused by Katrina and Rita in 2005 and all the other storms since then. This amount was paid from the federal treasury and Congress requires it to be paid back by 2022. Congress also recently required that the NFIP set aside additional funds as a buffer to pay for future flood losses. This debt and the number of extreme weather events has caused flood insurance claims to increase. Hurricane Sandy is expected to cause \$20 billion in damages, much of which will be paid by the NFIP.