

How will Flood Insurance Affect the Value of your Home?

Background

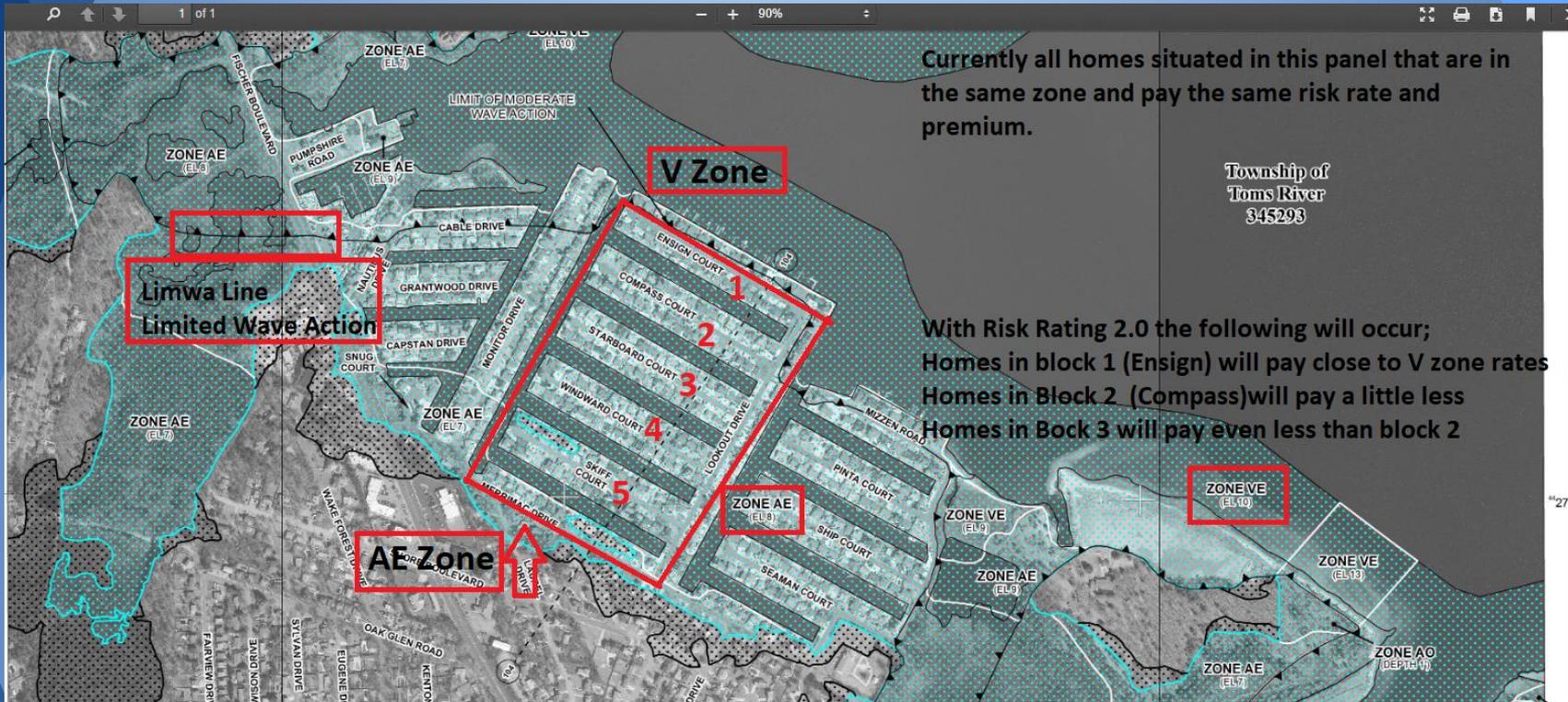
- The National Flood Insurance Program (NFIP) was created by Congress in 1968. Every 4 years Congress needs to reauthorize the NFIP. Since September 29, 2017 the NFIP has had temporary congressional authorization for a few months at a time.
- If you have a federally backed mortgage and you reside in a designated flood zone, you are required to purchase flood insurance.
- There are 22,000 Flood Zone Communities located in all 50 states.
- Currently there were 5.1 million flood policies in force through the NFIP. With the new Flood Maps, with higher elevations, there will be over 10 million flood policies in effect.
- In 2012 the Biggert-Waters Act was passed. This caused premiums to rise dramatically.
- In 2014 we the Homeowners Flood Insurance Affordability Act (HFIAA). This bill provided temporary relief and slowed down the exorbitant rise in flood insurance premiums.
- [Risk Rating 2.0](#) will start implementation in October 2020 - This will further raise premiums on properties closer to the flood risk and lower premiums on properties further away from the flood risk. Mapping will no longer be for “Panels”(Neighborhoods) but for individual properties.

Risk Mapping 2.0

Risk Rating 2.0 will be implemented in 2020.

Properties situated closer to rivers, oceans and bays will be considered higher risk and will be paying higher premiums.

April 2019 - “U.S. Sen. Charles Schumer and other elected officials are calling on the Federal Emergency Management Agency to halt a plan to revamp the National Flood Insurance Program, saying the change would increase premiums to unaffordable levels, pricing out residents and lowering local property values. <http://www.liherald.com/stories/schumer-to-fema-halt-flood-plan-changes,113423>



Currently all homes situated in this panel that are in the same zone and pay the same risk rate and premium.

Township of
Toms River
345293

With Risk Rating 2.0 the following will occur;
Homes in block 1 (Ensign) will pay close to V zone rates
Homes in Block 2 (Compass) will pay a little less
Homes in Block 3 will pay even less than block 2

Explanation of Risk Mapping 2.0

Homes closer to the Bay / V Zone will be paying higher premiums than homes further away

Maximum Yearly Increases up to 25%

Primary Homes - may receive up to a **18% compounded yearly increase**, until they reach their “actuarial rate”. There will also be a **\$25 yearly surcharge** plus additional fees such as ICC, Reserve Fund, etc.... Minimum increase will be 5% plus additional fees.
Premiums may double every 4 years.

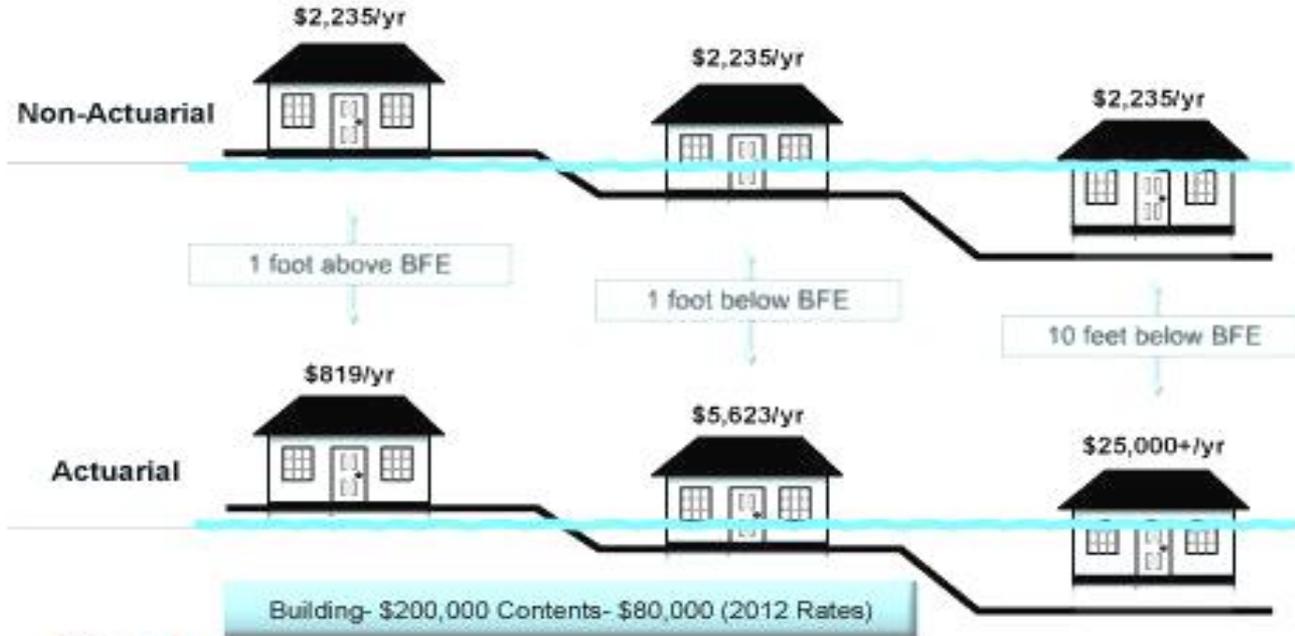
Second Homes , Investment Properties, Substantially Damaged Homes, SRL (Severely Repetitive Loss) and Commercial Property Owners - will receive up to a **25% compounded yearly increases**, until they reach their “actuarial rate”. There will be a **\$250 yearly surcharge** on these properties plus additional Fees Such as ICC, Reserv Fund, etc.....
Premiums may double every 3 years.

The current NFIP legislation, if passed, will also change as follows;
- ICC will be increased from \$30,000 to \$60,000

“What is your “Actuary Rate”

NFIP Rating Examples: The Impact of Loss of Subsidies

Rate comparisons



6/13/2019

Flood Premium Increases

	Primary Homeowner	Yearly Increase	2nd Homeowner *	Yearly Increase
Current Premium	\$2,500	\$450	\$2,500	\$625
Next Year	\$2,950	\$531	\$3,125	\$781
2nd Year	\$3,481	\$627	\$3,906	\$977
3rd Year	\$4,108	\$739	\$4,882	\$1,221
4th Year	\$4,846	\$872	\$6,103	\$1,526
5th Year	\$5,718	\$1,029	\$7,629	\$1,907
6th Year	\$6,747	\$1,214	\$9,536	\$2,384
7th Year	\$7,961	\$1,433	\$11,920	\$2,980
8th Year	\$9,394	\$1,691	\$14,900	\$3,725
9th Year	\$11,085	\$1,995	\$18,625	\$4,656
10th Year	\$13,080	\$2,354	\$23,281	\$5,820
11th Year	\$15,434	\$2,778	\$29,101	\$7,275
	(Up to 18% Compounded yearly increase)		(Up to 25% compounded yearly increase)	

This is a
\$11,494
yearly
flood
insurance
premium
for a
home
valued at
\$128,000

Date: 12/20/2013

National Flood Insurance Program
U.S. Department of Homeland Security
P.O. Box 2965
Shawnee Mission, KS 66201-1365



FEMA

>000959 3782464 0001 092201 10Z
Insured



[Redacted]
Brunswick, GA 31525

Agency

[Redacted]
Brunswick, GA 31520

RE: Policy Number [Redacted]
Insured's Name [Redacted]

Property Location [Redacted]
Brunswick, GA 31525

Dear Agency:

We have received an endorsement request for flood insurance for the above referenced property in the amount of 30,800 Building Coverage and 23,400 Contents Coverage with a premium payment of \$5,875.00. Based on the risk rating factors indicated on the endorsement, the correct premium for the coverage requested is \$11,494.00. The premium on this policy, therefore, has been underpaid by \$5,619.00.

In accordance with the terms specified in the Standard Flood Insurance Policy, section VII.G, Reduction and Reformation of Coverage, in order to receive the originally requested coverage as of the original effective date, the underpaid premium must be received by us within 30 days of the date of this letter. If we do not receive the underpayment by that date, we will issue the policy with coverage in the amount that the submitted premium would purchase.

The enclosed remittance form should be returned with the payment due.

Sincerely,
Underwriting Department
1-800-638-6620

CC Insured
Lender

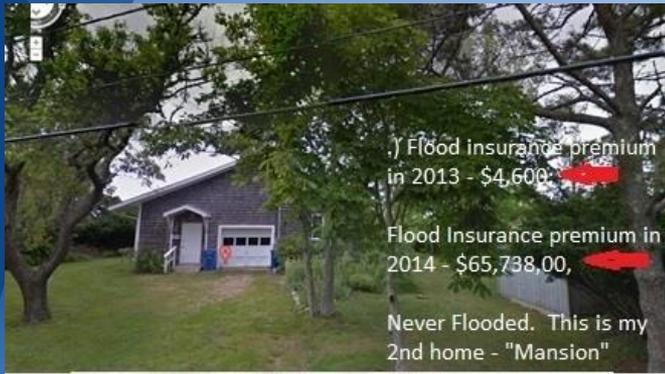
**This pre-firm house sold for \$128,000
In September 2012. The premium is nearly
10% of the value.**

00959 3782464 000900 001916 0001/0001

This home has a \$65,000 premium / actuary rate.

This home has never flooded.

The max coverage is for a \$250,000 policy.



Hartford Insurance Company of the Midwest
Flood Insurance Processing Center
P.O. Box 205
Kellipsville, WI 53903
Phone: 800-303-5663 Fax: 886-528-3209

January 18, 2014 **COPY**

[Redacted]

POLICY NUMBER: [Redacted]
INSURED NAME: [Redacted]
Property: [Redacted]

REDUCE COVERAGE AT RENEWAL DUE TO SHORT PREMIUM

Dear Producer:

The amount of premium permitted to renew the Flood Insurance policy listed above was insufficient to maintain the amounts of coverage on the expiring flood policy. The policy has been issued but coverage has been reduced based on the amount of premium received, as shown below.

Building	\$ 17,400
Contents	\$ 0

[] Additional comments:

Please remit the additional premium of \$61,035.00. The coverage will be effective on the inception date of the policy. If not, coverage will be increased with a 90 day waiting period from the day premium is received.

If you have any questions, please contact us at the phone number listed above or by email at cs@hifloodpro.net.

Thank you.

Flood Insurance Processing Center JXB doc:REDRNL
cc: [Redacted]

Plus 4,696.00 paid
total new rate = \$65,738.00

How does the rise in Flood Insurance Premiums affect the value of your property?

\$100K Mortgage @ 4.25% rate, 30 years fixed=
\$500 a month (\$6,000 yearly)

If your property has a a \$500 a month flood insurance premium, that property loses \$100K of mortgaging buying power.

How do I lower my Flood Insurance Premium?

- Make sure your Flood Agent “rated” your home correctly
- Make sure there are no mistakes on your Elevation Certificate
- Lower your deductible and/or remove content insurance
- Raise your mechanicals above the BFE (Boiler, Electric Panel, Condenser, etc.)
- Add Certified Flood Vents
- Backfill crawl space or basement
- Sign up for “PRP rate”, if available
- Review FEMA’s [Lowest Floor Guide](#) document
- File for a [LOMA](#) (Letter of Map Amendment)
- Elevate your home above the BFE
- Your town can apply for discounts on Flood Insurance Premiums
Community Rating System (CRS)



This home is being elevated because the property will become “unmarketable” because of the exorbitant rise in premiums.

