

LENDING IMPACT OF LEVEES= “SFHA”

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Lending Compliance

FDIC Compliance Manual, Jan 2014

Flood insurance is required for the term of the loan on buildings or mobile homes when all three of the following factors are present:

- The institution makes, increases, extends, or renews any loan(s) (commercial or consumer) secured by improved real estate or a mobile home that is affixed to a permanent foundation (“security property”);
- The property securing the loan is located or will be located in an SFHA (Special Flood Hazard Area) as identified by FEMA; and
- The community participates in the NFIP (National Flood Insurance Program)



Flood Determination

Bank RE Lending policy manual:

Flood Determination - In all cases a flood determination is to be obtained. Appropriate flood Insurance is required if the Bank collateral is in a designated flood zone. Evidence of flood insurance is required, prior to funding.



ReMapping

Bank must force-place flood insurance if cancelled or inadequate to cover the loan

If remapping occurs, it may take a while:

“makes, increases, extends or renews . . .”



LOAN METRICS

Cost & Availability of Flood Insurance – No insurance = No loan
Insurance = Cost

Rising Cost = Lower NOI (Net Operating Income)

Lower NOI = Higher Rent (to compensate) or

Lower NOI = Lower Value of property/business

IMPACT:

Columbia Corridor Industrial Area

- 60,000 jobs
- 2,500 businesses

Competing in a Global Market