

# NFIP Implications of Levee De-accreditation

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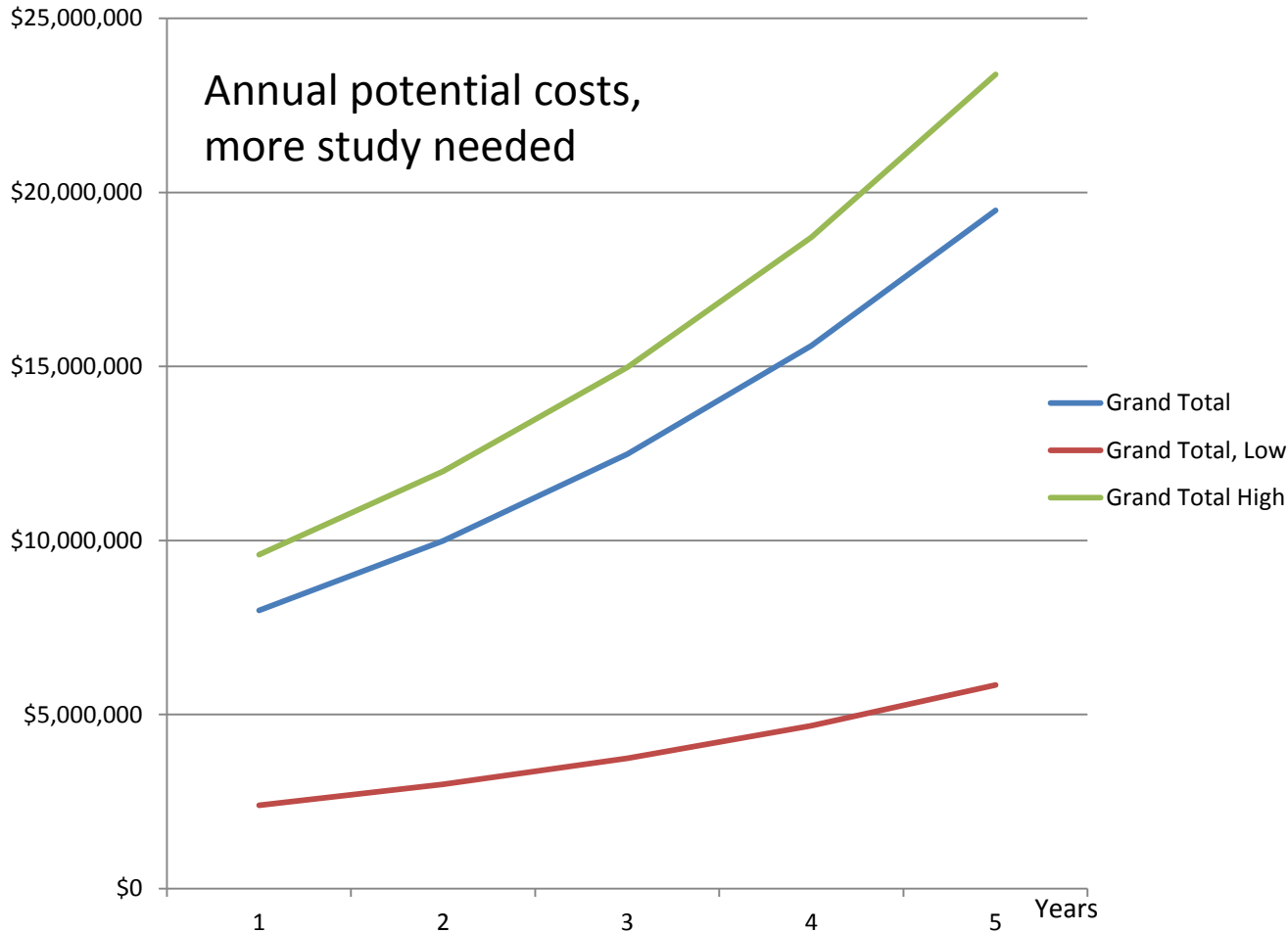
# Mandatory Purchase of Flood Insurance in Flood Zones

- 42 U.S.C Section 4012b: Purchase of flood insurance is mandatory when making, increasing, renewing, extending a federally backed mortgage
- Lender may demand purchase of flood insurance at any time during the life of the loan
- If the levee is de-accredited and the area is shown as flood-prone on an NFIP Flood Insurance Rate Map, lenders will demand purchase of flood insurance.

# Upon a map Change...

- Homeowner Flood Insurance Affordability Act of 2014: NFIP may offer Preferred Risk Rates to owners of buildings newly mapped into a flood zone.
- Annual cost increases until full risk rates reached:
  - Primary Residences 5 - 18%
  - Non-primary residences 25%
  - Commercial/industrial buildings 25%

# Rough Estimate of Consequences



**CAUTION:**  
Not rigorous analysis.  
Assumes one residential or industrial building per property owner.  
Estimates based on purchase of PRP during Year 1 and maximum allowable cost increases thereafter.

Future costs uncertain: NFIP must be **reauthorized in 2017.**