The Voice of the Customer

Office of the Flood Insurance Advocate

Annual Report 2021

FEMA

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Executive Summary

The Homeowner Flood Insurance Affordability Act of 2014 directed the FEMA Administrator to designate a Flood Insurance Advocate for the National Flood Insurance Program (NFIP). FEMA established the OFIA on an interim basis in December 2014 and permanently in June 2015. The OFIA advocates for the fair treatment of policyholders and property owners by providing education and guidance on all aspects of the program, fielding inquiries from frustrated and confused customers, and by representing the voices of these customers internally within the Federal Emergency Management Agency (FEMA). The OFIA tracks inquiries to identify which issues most affect the public and advocates for program improvements based on these findings. The Office seeks to reduce the complexity of the flood insurance program and to treat policyholders with compassion and fairness.

While the OFIA receives inquiries spanning a range of topics including floodplain management, insurance, mitigation, mapping, and mandatory purchase requirements, there is an underlying theme that affects many of the OFIA's inquirers – affordability.

In this year's report, the OFIA is highlighting areas of customer confusion and frustration regarding NFIP affordability. The Office's goal is to encourage FEMA, federal agencies, Congress, and additional organizations (such as advocacy membership organizations) to work together to ease affordability issues.

- Out of 3,300 inquiries over the last six years 32% involved affordability concerns.
- OFIA casework surrounding affordability has increased 150% since 2016.

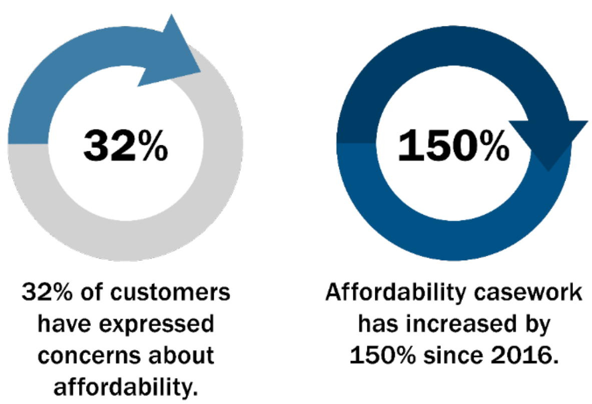


Figure 1. Sentiment Analysis

A sentiment analysis compiles language and text to understand subjective feelings or opinions from the perspective of the customer. The OFIA intakes casework information through email and one-on-one phone calls.

Affordability concerns in the NFIP are not new. Congress recognized through the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) that there were challenges for policyholders associated with the rising cost of flood insurance premiums. HFIAA directed FEMA to develop an affordability framework that would assist in providing guidance for assistance to policyholders. In this year's annual report, the OFIA uses FEMA's An Affordability Framework for the National Flood Insurance Program (Affordability Framework) as a benchmark to have a larger conversation about affordability within all NFIP programs.

For the 2021 annual report, the OFIA spotlights ongoing casework surrounding the issue of affordability and what our customers are telling us in the following areas:

- **Insurance** – OFIA inquirers are worried about the rising cost of flood insurance.
- **Mandatory Purchase Requirements** – OFIA inquirers find mandatory purchase requirements of flood insurance confusing and unjust.
- **Mapping and Risk Communication** Property owners are often faced with expensive choices based on Flood Insurance Rate Maps' depiction of risk.
- **Hazard Mitigation Assistance** – Hazard Mitigation Assistance grants are difficult to traverse and not geared toward the individual property owner or underserved communities.
- **Floodplain Management and Mitigation** – Mitigating structures can be costly and floodplain management requirements are confusing for the average homeowner and their community.

A Word from the Advocate

It is my pleasure to present the Office of the Flood Insurance Advocate (OFIA) 2021 Annual Report. This year's report reflects the multifaceted intersections of our times and highlights the complex customer stories that require our collective action to address and reduce disaster suffering.

We have reached a place where climate impacts must be addressed immediately as study after study predicts flood losses will continue to rise at alarming rates nationwide. To do this, it is imperative that we use empathy to deepen our understanding of the inequities that cause the most vulnerable to suffer disproportionately following far too many natural disasters. When we activate this understanding to find lasting solutions for those we serve, then we are truly on the road to creating more resilient communities for everyone.

The focus of this year's report is affordability, and it also showcases several customer experiences with the NFIP. The report highlights complexities and difficult decisions homeowners face and must make every day.

Congress recognizes the obstacles our nation faces and recently passed several critical laws reflecting the imperative role FEMA plays in helping the nation tackle climate threats and address vulnerability to natural hazards. The Infrastructure Investment and Jobs Act (which also funded the Safeguarding Tomorrow Through Ongoing Risk Mitigation (STORM) Act) provided additional resources to FEMA to bolster its various mitigation grant programs (Building Resilient Infrastructure and Communities and Flood Mitigation Assistance) and establish the Dam Safety and Removal Program. These additional funding sources will continue to benefit policyholders and property owners seeking relief through future mitigation opportunities. Along with long-held practices FEMA promotes, such as sound floodplain management and mitigation planning, these resources help drive our efforts to build a culture of preparedness and individual and community resilience.

Now is the time to change the conversation. Instead of asking "Why don't they just have flood insurance?" "Why don't they just move?" "Can't they just raise their house?" we should be digging deeper to understand the systemic barriers certain people face in accessing resources – both technical and financial. This work will help to ensure the most vulnerable populations have the tools, access, and capability to reduce disaster suffering for themselves and their community.

Advocating for our customers would not be possible without every single OFIA staff member. Our staff continues to deliver world class customer service with compassion and fairness. Every customer who comes to the Advocate's office is treated with respect and a genuine desire to help, even when the answer is not what the customer wants to hear. Time and time again, feedback confirms the customer received an honest answer empowering them to make informed decisions about their situation. We can't ask for anything more and look forward to elevating our commitment to the NFIP customer in 2022.

THANK YOU

In 2021, we celebrated the tremendous contributions of Dave Stearrett (FEMA Flood Insurance Advocate 2015-2021) and wished him well upon his retirement. Dave exemplified the Flood Insurance Advocate envisioned by Congress. He used the NFIP customer experience to guide every decision and recommendation made in the Advocate's office. Dave Stearrett' s steady influence positioned us to carry on our advocacy work and rely on evidence-based decision making. The OFIA is thankful for Dave's leadership, mentorship, and laser focus on advocating on their behalf. For all his contributions, we are forever grateful.

All my best,

Rhonda

Rhonda Montgomery

Meet the Team: Advocating for the Customer

Working at the OFIA has been a great experience. Not only do I get the fulfillment of ensuring that the policyholders and aggrieved parties feel that they are heard. I also get to work with a dedicated team who share the same vision of fair treatment of policyholders and provide recommendations for positive program improvements to FEMA leadership.
– Hudson

I often tell people it is a privilege to work at the Office of the Flood Insurance Advocate. We get to make a difference in people's lives. We have a chance to help the program get better every day.
- Annette

I love working at the OFIA because I feel like what I do makes a difference in people's lives by answering their questions, easing their frustrations, and helping them understand.
- Cindy

To be able to shoulder the burden of my customer and allow them to feel a sense of relief is something that fuels me to provide excellence, no matter the outcome.
- Claudia

It is cutting through the red tape to help the person in need to either achieve the outcome they seek or an equitable and just alternative. We help frustrated and confused people reach a resolution in a fair outcome, and through that, we identify areas where systematic improvements can be made to the customer experience for all policyholders and those who have slipped through the cracks. Ultimately, we make sure the premium and tax payer is getting what they paid for!
- Joe

Being the voice of the customer means that I am able to elevate real-world issues from NFIP policyholders and property owners to the appropriate program areas within FIMA for their awareness and action. Sometimes the awareness leads to program changes that will help many others impacted by the same issue. When this happens, it's very gratifying to all of us at the OFIA.
- Steve

Introduction to OFIA's Casework and Affordability

Through casework, the OFIA hears customer frustrations surrounding affordability in all aspects of the National Flood Insurance Program (NFIP): mitigation, grants, flood insurance, and mapping. Whether an inquirer comes to the OFIA to verify their premium, is undergoing a map change, needs assistance securing a grant, or is unsatisfied with lender requirements, they reach out to the OFIA because they find the costs associated with flood insurance and mitigation out of reach. FEMA's Affordability Framework addresses the issue of affordability from the perspective of a households' "ability to pay" for flood insurance. The OFIA takes this further, based on our customers' input, to address all aspects of the NFIP and the impacts of lender mandatory purchase requirements. While the mandatory purchase of flood insurance provisions required by a lender are outside of the authorities of FEMA, they directly impact the OFIA customer.

This year's report conveys the voices of the OFIA customers and uses their real stories. With these stories we have a 'Call to Action' for those who can make a difference, as well as recommendations for programmatic consideration. The NFIP programs were also given an opportunity to acknowledge the issues highlighted by the OFIA and add the actions being taken to help the NFIP customer.

The Office recognizes that most property owners and policyholders do not need assistance from the OFIA, nor do they all have the same experiences as those customers highlighted in this report. The OFIA also recognizes there are property owners and policyholders who may be frustrated and confused who do not reach out to us.

2021 Casework Data

The OFIA receives inquiries from throughout the country. Figure 2 demarks FEMA regions by color and represents the casework totals for each state from Dec. 1, 2020, through Nov. 30, 2021. Most of the casework comes from southern coastal states in FEMA Regions 4 and 6, making up 28.5% and 19.1% of the country's total, respectively.

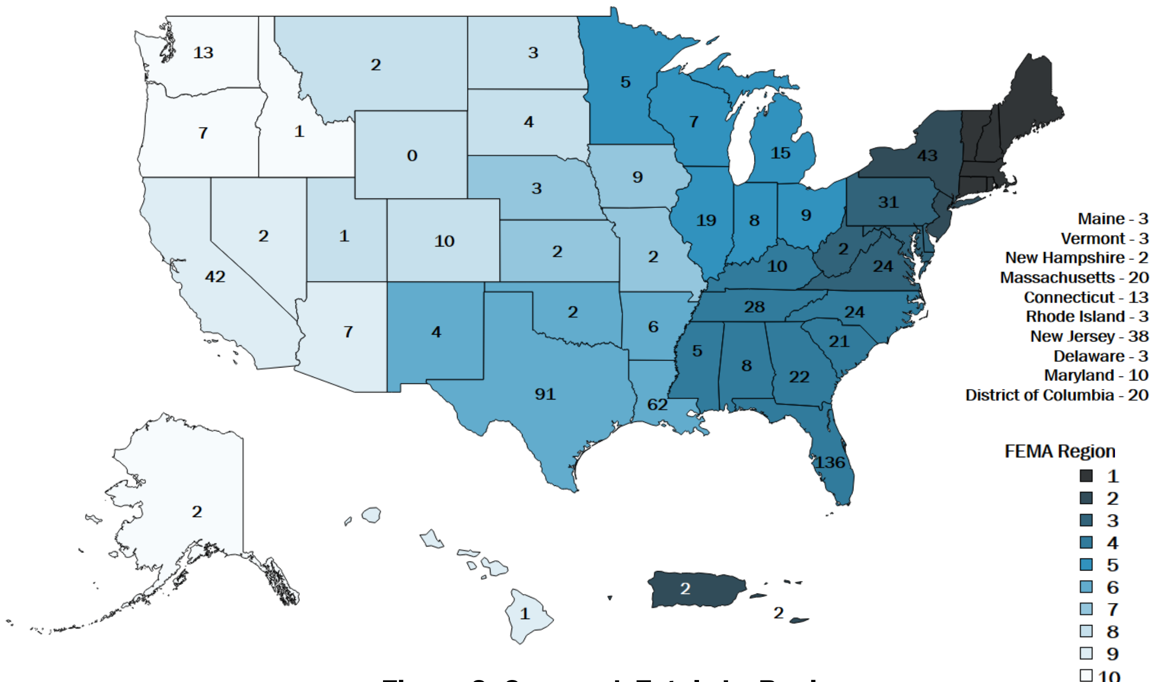


Figure 2. Casework Totals by Region

From Dec. 1, 2020, through Nov. 30, 2021, the Office had 826 cases across the country. Most of the casework is from Regions 4 and 6.

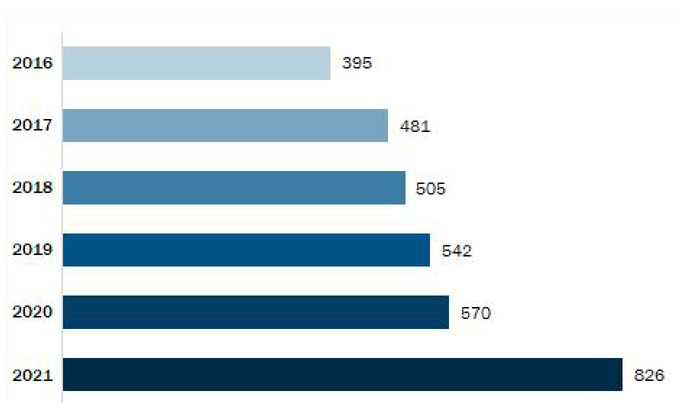


Figure 3. OFIA's Casework by Year

OFIA casework from Jul. 1, 2016 through Nov. 30, 2021.

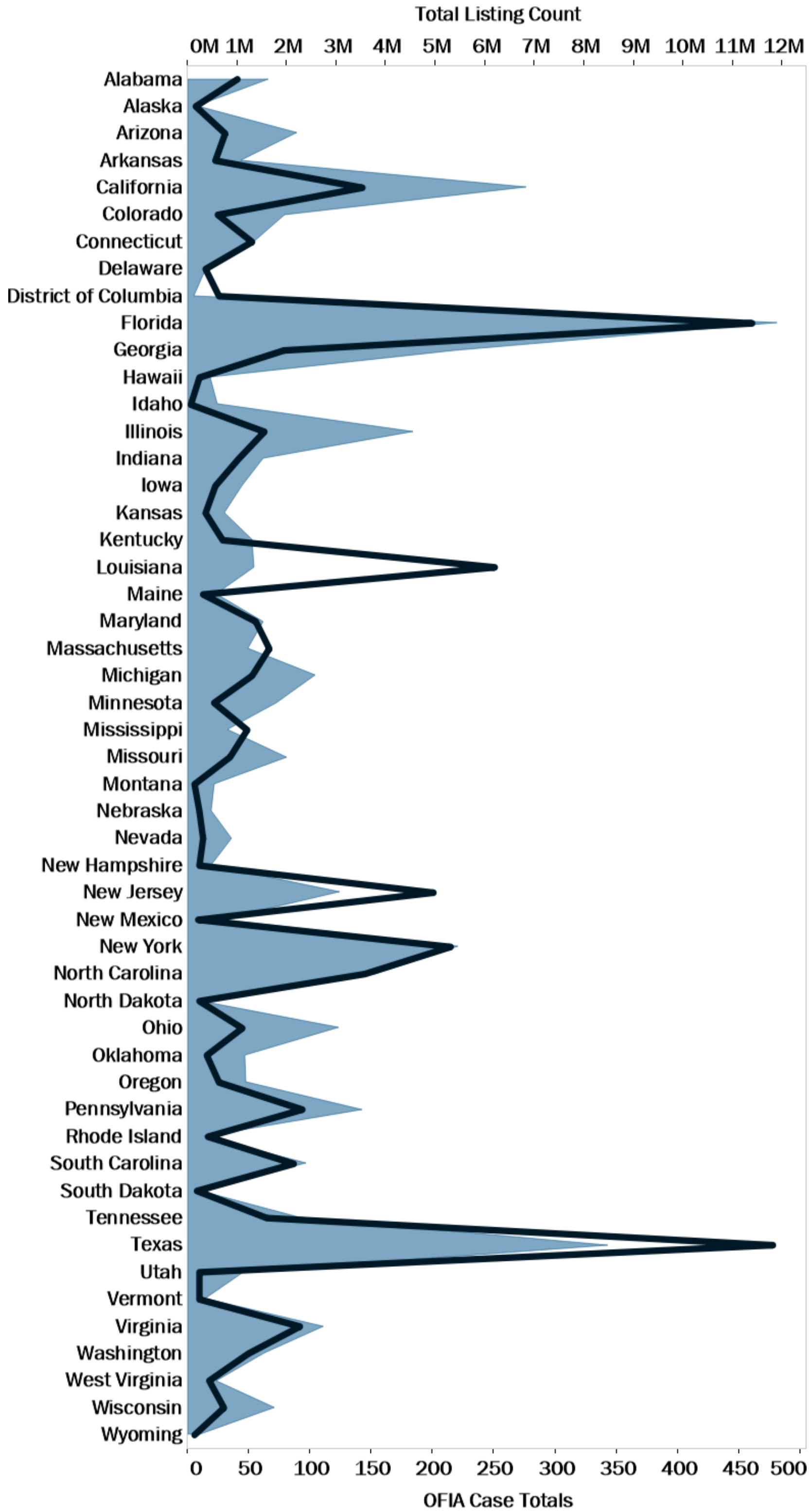


Figure 4. Total Property Listings and OFIA Casework Totals

There is an 86% correlation between total property listings and OFIA casework from Jul. 1, 2016 – Nov. 30, 2021.

PROPERTY LISTING CORRELATIONS

- **The OFIA determined an 86% correlation between casework totals and the number of properties listed for sale in each state between Jul. 1, 2016 and Nov. 30, 2021 (Realtor.com). This signifies that OFIA casework is closely tied to nationwide housing market activity.**
- **Generally, record-low mortgage rates during 2020 and 2021 catalyzed an increase of activity in the U.S. housing market, which could have led to an increase in inquiries about the intricacies of flood risk.**
- **Considering predictive analysis by Fannie Mae and Freddie Mac, the national wealth is expected to drop and mortgage interest rates are expected to rise by 2023. This could mean a leveling in casework as the housing market activity declines and predictions of an economic decline persist.**
- **Florida, New York, South Carolina, and Texas demonstrate the tightest correlation between the active housing market and an increase in OFIA casework.**

The Voice of the OFIA Customer

"I am desperately trying to find relief for the huge increase in our flood insurance."

"My ask is whether you all can help us straighten this out with the NFIP office or suggest other ways to help us make the coverage more affordable?"

"My dad cannot afford the insurance and I cannot afford to help him."

"I am reaching out because recently my flood insurance carrier has increased drastically."

"There is no way we can afford this insane price for insurance."

"I am writing to you with the hope that you can desperately help me with my existing flood policy. This 25% increase is going to be a big financial burden on me."

"The amount of this huge increase all at once is truly unfair."

"I am now 70-years old, living on my social security, and no longer can afford flood insurance. How can I afford to pay flood insurance? Are there any agencies to assist seniors with this expense?"

"I will be forced to sell my home or significantly increase the rent in order to afford the flood insurance."

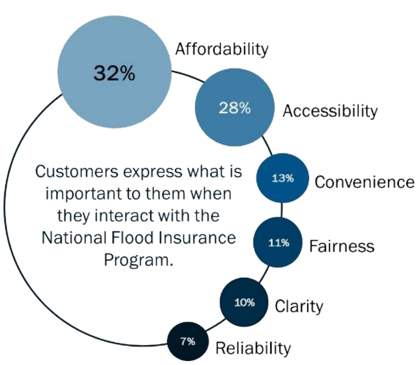
"I have nothing left to give after I pay my mortgage and now, I need flood insurance."

"How can I get financial assistance for my flood insurance. I am disabled and have limited resources."

The Office of the Flood Insurance Advocate's (OFIA's) direct interaction with National Flood Insurance Program (NFIP) customers helps us inform the program on issues facing policyholders and property owners. Data from customer inquiries is compiled and analyzed to validate recommendations, which are communicated to FEMA leadership both informally and through the Annual Report. The OFIA takes its job seriously as the voice of the NFIP customer. This year's report includes actual stories our customers convey to us in hopes of providing insight to those who can enact change.

Affordability and the OFIA Customer

Affordability has been a common theme in OFIA's casework since the office was established. Affordability spans across all aspects the National Flood Insurance Program (NFIP): mitigation, grants, flood insurance, and mapping as well as mandatory purchase of flood insurance provision of the Flood Disaster Protection Act of 1973, as amended. This year's report focuses on these issues in the NFIP customer's voice (names and quotes have been edited to protect the customer's privacy).



Examples of Typical Inquiry Topics by Sentiment
Affordability – Customers seek refunds, price options, and information on how to reduce their premiums.
Accessibility – Customers reach out for documentation, general information, and information on their policy/coverage.
Convenience – Customers seek payment options and policy transfers.
Fairness – Customers express they are being mistreated and ask OFIA to intervene with premium disputes.
Clarity – Customers ask for technical assistance and for help in understanding policies.
Reliability – Customers ask OFIA to verify rates.

Figure 5. OFIA Customer Sentiment

Through sentiment analysis, OFIA found 32% of customers expressed that affordability was their primary concern. Customers who expressed other concerns such as accessibility and fairness also included concerns about affordability.

I. Flood Insurance: OFIA inquirers are worried about the rising cost of flood insurance

Key Terms to Reference

- **Full-Risk Rate**: A rate charged to policies that results in a premium sufficient to pay anticipated losses and expenses.
- **The National Flood Insurance Act of 1968, as amended,** and the **Flood Insurance Protection Act of 1973**:
  - The National Flood Insurance Act of 1968 launched the National Flood Insurance Program.
  - The Flood Insurance Protection Act of 1973 mandated that lenders require flood insurance on loans secured by properties located within high-risk flood areas

OFIA customers, facing rising premiums, continually convey that the high cost of flood insurance impacts their ability to pay for and keep their home. Some homeowners have expressed concern about their ability to sell their home as premiums rise.

The National Flood Insurance Act of 1968 (NFIA) requires FEMA to estimate premium rates based on consideration of the risk involved, accepted actuarial principles, and administrative expenses that would be necessary to make flood insurance available on an actuarial basis (full-risk rates). The NFIA also authorizes FEMA to charge premiums that are less than the full-risk rate (discounted rates) for certain properties built before the community's initial Flood Insurance Rate Map or December 31, 1974, whichever is later (referred to a Pre-FIRM properties). For most other properties, FEMA is required to charge policyholders full-risk rates. Additionally, the NFIA has been amended to require FEMA to phase out most discounted rates over time.

What We Hear

Francesca in Texas reached out to the Office of the Flood Insurance Advocate (OFIA) saying, "My policy is set to renew on July 15th and the premium has skyrocketed to $2500! I cannot afford this. My 93 year-old mother with Alzheimer's lives with me and this is just an impossible hike in the premium. Could you please assist me in making this more realistic."

OFIA was able to verify Francesca's premium had increased from around $500 to $2500 at renewal, with coverage remaining the same. The OFIA verified the higher premium was accurate because of a correction to the rate to accurately reflect previous losses. The OFIA recommended Francesca make changes to her policy's coverage limits and deductible to help lower the cost of the annual premium.

Jerome in New Jersey said, "I am sick to my stomach. Will I still be able to afford flood insurance? I've already increased my deductible. I'm worried to death I won't be able to sell my home. I have had no claim in 52 years."

Jerome had read an article about Risk Rating 2.0 and was concerned that his premium would skyrocket. The OFIA verified his current rate is correct and then explained the annual premium increase cap for those who are correctly rated.

Maggie in New York stated, "I am reaching out because recently my flood insurance carrier has increased drastically the premium from $2,500 to $7,117…We might have to sell our house as we won't be able to afford the premium."

The OFIA was able to validate Maggie's lower premium quote was correct. The higher premium was based on a mistake by the agent, which the OFIA helped to correct.

Brian in Virginia is an owner of a repetitive loss property. He received an annual renewal notice of $10,450 and stated, "There is no way we can afford this insane price for insurance."

Brian changed insurance carriers. OFIA discovered some of the underwriting information had not transferred from the old carrier to the new one. Once this information was supplied to the new carrier Brian's premium was restored to around $5,500 per year.

Francesca, Jerome, Maggie, and Brian's stories are not unusual to the OFIA; however, we were able to help them resolve these issues by digging deeper into their individual dilemmas and finding out what was needed to make flood insurance sustainable for them. OFIA customers are often alarmed by renewal prices and wonder how they will be able to afford flood insurance, combined with their mortgage. OFIA's enabling statute states it must aid policyholders "in obtaining and verifying accurate and reliable flood insurance rate information." For most inquiries like these, the OFIA caseworker verifies if the rate is accurate, then advises on coverage or mitigation options. If the rate is incorrect, the OFIA works with FIMA's Federal Insurance Directorate's (FID) Underwriting Branch and insurance carrier to correct the misrating.

Affordability is relative to each OFIA customer. The OFIA does not have data to provide insight on whether customers' affordability concerns stem from an inability to pay or an unwillingness to pay for flood insurance premiums. OFIA relies on the customer to self-indicate the issue of affordability and a policyholder's ability to pay. We collect this information through anecdotal means. The Affordability Framework affirms "there currently is no rational basis to determine when the purchase of flood insurance becomes burdensome based on the percentage of income spent on flood insurance."

Insight

Through an analytical review of cases, the OFIA has found common trends among the customers who come to the Office about their flood insurance costs:

- Policyholders who self-identify as being on a fixed or low income are disproportionately impacted by annual premium increases because their income cannot sustain the premium increase.
- Property owners seek options to decrease the rising costs of flood insurance.

In 2012, Congress recognized the need to make the NFIP financially stable and enacted the Biggert-Waters Flood Insurance Reform Act of 2012 (BW). BW eliminated some Pre-FIRM discounts which increased premiums for certain classes of Pre-FIRM buildings. Many current and future policyholders who saw discounts eliminated felt a sudden financial burden, which led to the passage of the Homeowner Flood Insurance Affordability Act of 2014. HFIAA created a glidepath approach to phase out discounts for certain Pre-FIRM residential properties. The eligibility for discounted rates on a glidepath to full-risk rates, however, is not based on a policyholder's financial ability to pay premiums but instead is based on the date the building was constructed. There is tension between fiscal soundness of the program and affordable reasonable premiums for the homeowner.

Using its authority under the above-mentioned Acts, FEMA is addressing inequities in flood insurance premiums. In the NFIP's legacy rating methodology, high-value and high-risk property owners paid disproportionately less than the owners of low-value properties, which are less costly to repair and replace. Recognizing the imbalance, FEMA leveraged advances in technology to model individualized risk which corrects disproportionate premium distribution across broad NFIP policy classes. Beginning Oct. 1, 2021, FEMA incorporated rating factors such as building replacement cost value, elevation, multiple flooding events, loss history, and distance to flood source into its risk and premium calculations through the Risk Rating 2.0: Equity in Action initiative. As a result, many of those paying too much on low-value structures will see a reduction in their flood insurance premium. Those not paying enough will see increases in line with statutory premium increase caps, which is 18% per year for most existing policyholders.

Call to Action

There are several challenges when addressing flood insurance affordability. The OFIA will work with the programs to develop solutions to address these challenges.

RECOMMENDATION #1

- The Federal Insurance Directorate (FID) should develop a means-tested assistance program in the form of premium discounts, insurance vouchers, tax credits, or mitigation grants to property owners to reduce the burden of flood insurance costs. Implementing a FEMA means-tested assistance program would require statutory changes to the NFIA.

FROM THE PROGRAM

FEMA continues to publicize the challenge of flood insurance affordability.

RECOMMENDATION #2

- OFIA recommends FID review administrative costs to determine if the Federal Policy Fee or Reserve Fund Assessment can be reduced to aid the customer.

Many flood insurance policies include additional costs, which are mandated by law. The Reserve Fund Assessment currently adds a fee to most insurance policies which amounts to 18% of the calculated premium. In addition, the HFIAA surcharge adds either $25 or $250 to each policy depending on whether it is a primary residence or a nonprimary residence, respectively. There is also a Federal Policy Fee added to each policy to defray certain expenses in administering the NFIP. It is not unusual for some of the fees and surcharges to account for over 50% of the total policy cost. FEMA does not have the authority to waive mandated fees and surcharges and it would require legislative changes to do so.

FROM THE PROGRAM

The Reserve Fund Assessment is currently set at 18% to satisfy the requirements of the Biggert-Waters Flood Insurance Reform Act of 2012, This Act requires a reserve of "1% of the sum of the total potential loss exposure of all outstanding flood policies in force in the prior fiscal year." This fund helps cover anticipated losses to NFIP insured properties when large scale events occur. To achieve that requirement, the Reserve Fund requires a balance of $13 billion. As flood insurance policies move toward full-risk rates, the Reserve Fund begins filling at an increased rate.

RECOMMENDATION #3

- To reduce the burden of insurance costs, FID and Mitigation Directorate (Mitigation) of FIMA need to collaborate on data collection efforts on insurance affordability, low-income households, and repetitive loss structures for targeted mitigation projects in underserved or socially vulnerable communities.

Households in high flood risk areas are stuck in an endless cycle of flood damage, flood insurance claims, minimal repairs, and subsequent flooding. Many of these homeowners are limited in their options financially and would benefit from community mitigation projects to break out of this cycle. Low-income households often are in communities which lack sufficient resources to navigate the grant funding processes.

FROM THE PROGRAM:

The Federal Insurance and Mitigation Directorates are working with RAND Corporation on the project "Making Gains on Repetitive Losses." The purpose is to gain a better understanding of FEMA's repetitive loss data. Analysis of that data would help FEMA better develop policies around the repetitive loss property issue.

One of the areas FIMA will analyze is around equity and socially vulnerable communities with repetitive loss properties. To better conduct the analysis, OFIA can provide data to assist which may include:

- Anecdotes from policyholders on their specific challenges in dealing with affordability as it relates to repetitive loss properties
- Any references to grants by policyholders with respect to repetitive loss properties
- A list of communities that appear to be the most affected by this issue, from the OFIA's perspective

RECOMMENDATION #4

- The OFIA continues to call upon FEMA to offer monthly premium payment options.

The OFIA has pointed out in past reports that Congress has mandated installment payment options. Installment payments are a potential relief from affordability challenges. Payment options would provide relief for some homeowners who find a one-time annual full-risk premium unaffordable. FEMA must implement installments through the rulemaking process.

What the OFIA Data Says

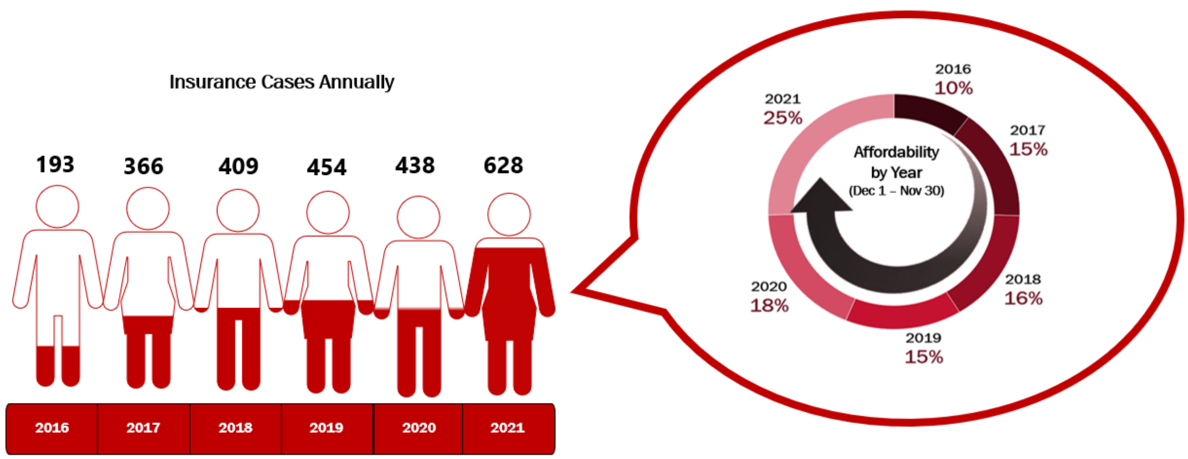


Figure 6. Annual Insurance Casework Totals and Affordability (Dec. 1. 2020 – Nov. 30, 2021)

Through sentiment analysis, the OFIA determined the annual percentage of customers expressing insurance affordability issues has increased.

II. Mandatory purchase: Mandatory purchase requirements of flood insurance can be confusing and are perceived to be unjust

By law, federally-regulated lenders are prohibited from making, extending, or increasing loans secured by improved real estate (building) located in a special flood hazard area unless the building is covered by flood insurance in an amount that is at least equal to the principal loan or maximum amount of coverage available under the National Flood Insurance Program (NFIP), whichever is less.

When a lender does not apply the "whichever is less" provision, the homeowner can be negatively impacted by paying for higher amounts of coverage. Additionally, lenders are required to escrow NFIP flood insurance premiums when mandatory purchase requirements apply. When a lender doesn't escrow the premium and fails to remit the payment correctly, the homeowner can unknowingly lose their premium discount when the policy lapses.

FEMA has no regulatory authority over lenders and there is often no mechanism for recourse when lenders misapply mandatory purchase requirements. Much customer frustration surrounds the lender's misunderstanding of their enforcement obligations of the Flood Disaster Protection Act of 1973, as amended. Additionally, if the borrower does not purchase flood insurance voluntarily or in a timely manner, a lender can force-place insurance on properties that don't otherwise have coverage. This takes control away from the property owner and often feels punitive.

Problems occur with the implementation of the mandatory purchase of insurance requirement. While the law does not prohibit a lender from requiring flood insurance exceeding the loan amount or maximum limits provided under the NFIP, doing so negatively impacts policyholders.

Key Terms to Reference

- **Special Flood Hazard Area (SFHA):** "An area having special flood, mudflow, or flood-related erosion hazards and shown on a Flood Hazard Boundary Map (FHBM) or a Flood Insurance Rate Map (FIRM) Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE or V. The SFHA is the area where the National Flood Insurance Program's (NFIP's) floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies. For the purpose of determining Community Rating System (CRS) premium discounts, all AR and A99 zones are treated as non-SFHAs."
- **Elevation Certificate:** The Elevation Certificate is an important administrative tool of the National Flood Insurance Program (NFIP). It is to be used to provide elevation information necessary to ensure compliance with community floodplain management ordinances, to determine the proper insurance premium rate, and to support a request for a Letter of Map Amendment (LOMA) or Letter of Map Revision based on fill (LOMR-F).

- **Force Placement of Flood Insurance (12 CFR § 22.7 (a)):** "If a national bank or Federal savings association, or a servicer acting on behalf of the bank or savings association, determines at any time during the term of a designated loan, that the building or mobile home and any personal property securing the designated loan is not covered by flood insurance or is covered by flood insurance in an amount less than the amount required under § 22.3 then the national bank or Federal savings association, or a servicer acting on its behalf, shall notify the borrower that the borrower should obtain flood insurance, at the borrower's expense, in an amount at least equal to the amount required under § 22.3, for the remaining term of the loan. If the borrower fails to obtain flood insurance within 45 days after notification, then the national bank or Federal savings association, or its servicer, shall purchase insurance on the borrower's behalf."

- **Preferred Risk Policy (PRP):** A lower-cost Standard Flood Insurance Policy (SFIP) written under the Dwelling Form or General Property Form. It offers fixed combinations of building/contents coverage limits or contents-only coverage. The PRP is available for property located in B, C and X Zones in Regular Program communities that meets eligibility requirements based on the property's flood loss history. It is also available for buildings that are eligible under the PRP Eligibility Extension.

This occurs when lenders require borrowers to over-insure, in particular when they require the borrower to obtain coverage up to the amount of the loan including land values. The NFIP policy does not cover land, but land values are often included in a lender's required coverage amount. Over-insurance translates to higher premiums for coverage that will never be used.

What We Hear

Earl reached out to OFIA saying: "I have always paid bills on time including [NFIP Premiums] and I don't see how any of this is my fault…"

Lenders are required to escrow when mandatory purchase applies. Earl has been a customer for over ten years with a voluntarily purchased Preferred Risk Policy (PRP) for property outside the Special Flood Hazard Area (SFHA). Within a week of receiving his renewal notice, Earl's national mortgage company informed him of a map update that had changed the flood zone designation of his home to an SFHA, which took place three years earlier. As a result of the flood zone designation change, he could no longer keep his low-cost PRP. Earl needed to pay for a standard-rated flood policy by December 12 to avoid a lapse in coverage. This date was established from the expiration of his former policy with an added 30-day grace period. Earl's lender had not escrowed his flood insurance payment, which is required by law.

To have the policy rated correctly, Earl was required to provide an Elevation Certificate (EC). Without the required EC, his annual premium would be $11,528. In mid-December a new EC was completed and used to calculate a premium of $1,043. Earl finally had a premium that he could afford, yet the timing of his payment caused the coverage to lapse. The new policy would not be effective for 30 more days, creating a gap in coverage. Earl's lender force-placed a private flood insurance policy during this gap period and he had no say in the selection process. The coverage was extremely costly – $467 per month. This was five times the cost of the NFIP policy. At this point, Earl grew frustrated navigating the program on his own and contacted the OFIA exasperated and in desperate need of assistance. "It would be nice if someone could help but I'm thinking it's a lost cause."

Under the Biggert-Waters Flood Insurance Reform Act of 2012, the lender should have established an escrow account to pay the flood insurance policy renewal after the map revision. The lender should have also noted the zone change earlier as zone determination monitoring should be done for the duration of the loan. Unable to intervene with lender requirements, the OFIA directed Earl to the Letter of Map Amendment (LOMA) process to remove his property from the SFHA. This converted his coverage back to a low-cost Preferred-Risk Policy but did not provide relief from the costs incurred during his policy lapse. Some inquirers who have similar lender issues are unable to go through the LOMA process and have no recourse.

Insight

Policyholders are confused by lender requirements.

- FEMA does not regulate lenders. Policyholders often come to FEMA for relief from lending requirements.
- Lenders are mandated by law to escrow flood insurance when flood insurance is required. Policyholders are frustrated when a lender fails to escrow or does not pay the escrowed premium, creating hardship for the insured to pay the premium immediately. A failure to pay a premium can cause a lapse. If a lapse occurs it can result in the loss of NFIP discounts, punitive rates from forced-placed coverage, or even an unpaid claim.
- Lenders often include land values when calculating the coverage amount.
- The law exempts certain detached structures on properties where a primary residence is located, yet customers have been required by their lenders to purchase coverage for these detached structures.
- Lenders have required a second policy on individual condominium units which already have sufficient coverage through a Residential Condominium Building Association Policy.
- Lenders require coverage on low-value structures that will never exceed minimum deductible amounts.

Call to Action

FEMA, the agency charged with carrying out the NFIP, has no regulatory authority over lenders or enforcement of the mandatory purchase requirements of the Flood Disaster Protection Act of 1973, as amended. Lenders, Federal Banking Regulators, and Government Sponsored Enterprises (GSEs) have the authority to enforce the provisions of the Act. Gaps in oversight lead to mismanaged execution of the mandatory purchase requirements. Actions should be taken to minimize customer confusion and improve collaboration across the various federal entities.

RECOMMENDATION #1

- The OFIA recommends a joint coordinated effort by the Federal Insurance Directorate, the OFIA, Federal Lending Regulators, and GSEs to provide inter-agency guidance that alleviates common points of customer confusion regarding mandatory purchase. This could include comprehensive coordinated lender training to alleviate hardship on the customer.

FROM THE PROGRAM

The Federal Insurance Directorate has been working with the Federal Lending Regulators to ensure that they have the most recent information when it comes to the NFIP. FEMA has assisted the Regulators with Interagency Questions and Answers surrounding flood insurance and recent updates to the program. The Federal Insurance Directorate will continue to keep an open line of communication to assist with any regulator requests to ensure their lenders have the best information to comply with the mandatory purchase of insurance requirement.

RECOMMENDATION #2

- The OFIA recommends that regulators and FEMA provide borrowers educational materials explaining the mandatory purchase requirements.

The OFIA has produced a series of educational videos to explain common NFIP concepts. Additional plain-language videos explaining mandatory purchase requirements could alleviate many confusing points. The Federal Insurance Directorate and the OFIA could partner to produce such videos with input from the lending regulators.

FROM THE PROGRAM

The Federal Insurance Directorate will analyze the needs, potential audiences, and possible vehicles for this communication. It should be noted that neither FEMA nor the NFIP enforces the mandatory purchase requirements of the Flood Disaster Protection Act, and any discussion of enforcement would have to remain at a very high-level as each agency has its own rules and procedures for enforcement and those are subject to change from time to time. No one document could hope to accomplish describing the roles and responsibilities of all the federal entities which are responsible for enforcing mandatory purchase except at the most generic levels.

What the OFIA Data Says

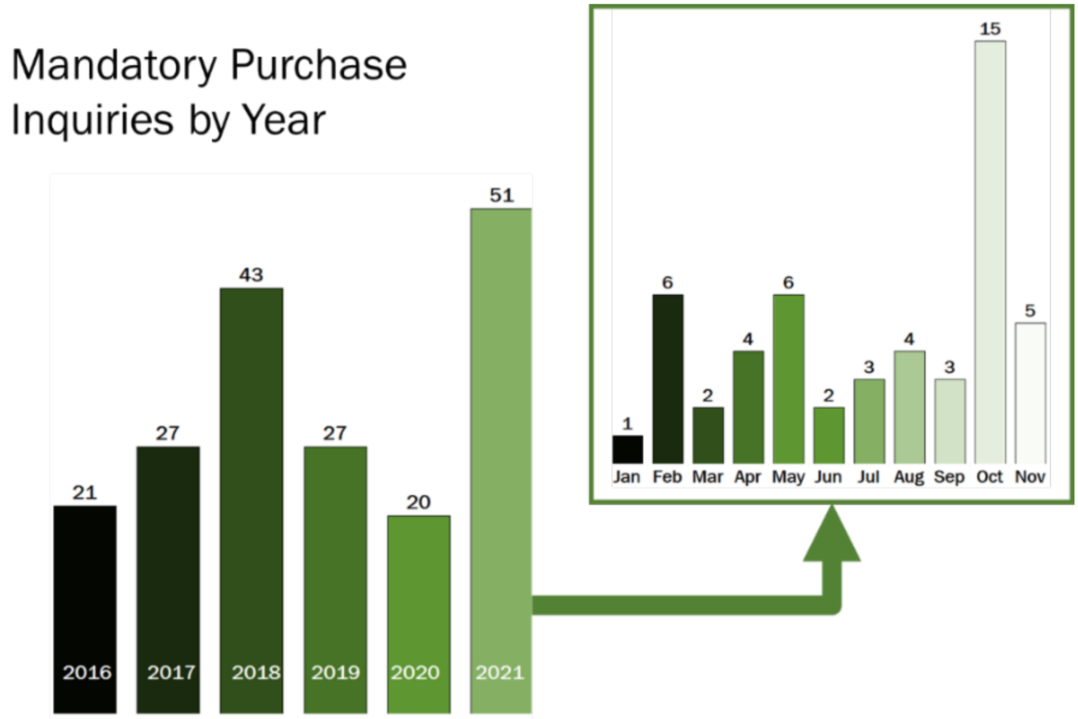


Figure 7. Mandatory Purchase Inquiries Through 2021

2021 marked a record high amount of casework from customers with issues dealing with mandatory purchase and lender agreements.

III. Mapping and Risk Communication: Property owners are often faced with expensive choices based on Flood Insurance Rate Maps' depiction of risk

Communicating flood risk is vital when speaking to property owners and renters. FEMA's Flood Insurance Rate Maps (FIRMs) were created to help rate flood insurance policies and aid communities in adoption and enforcement of floodplain management regulations. Some policyholders perceive the FIRMs as an arbitrary tool for determining who is mandated to purchase flood insurance. When attempting to appeal the maps, some are faced with costly financial decisions to obtain a land survey for elevation information.

What We Hear

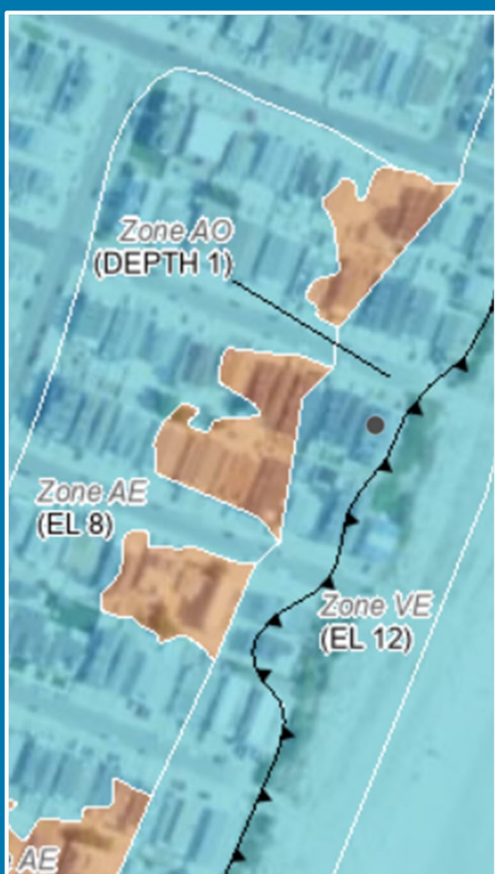
Fred from Florida points out perceived inequity with the maps: "My flood insurance premium is over $2,000 a year while all my neighbors are paying around $500. We are in an AE flood zone, my neighbors ten feet away are not. I would like to understand why I am singled out and what I can do to correct the situation. I believe I should be paying the same rate as my neighbors whether it is less or more, just fair."

A map update changed Fred's home from a low-risk zone to a high-risk zone, AE. Fred believed that his neighbors had a similar flood risk even if the maps did not indicate that risk. He contacted the Office to see if there were options to reduce the cost of his flood insurance to be comparable to that of his neighbors. The OFIA suggested obtaining an Elevation Certificate (EC) for rating purposes.

Key Terms to Reference

- **Flood Insurance Rate Map (FIRM):** Official map of a community on which FEMA has delineated the Special Flood Hazard Areas (SFHAs), the Base Flood Elevations (BFEs), and the risk premium zones applicable to the community.
- **Flood Zones:** Flood hazard areas identified on the Flood Insurance Rate Map are identified as a Special Flood Hazard Area (SFHA). SFHA are defined as the area that will be inundated by the flood event having a 1% chance of being equaled or exceeded in any given year. The 1% annual chance flood is also referred to as the base flood or 100-year flood. SFHAs are labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30. Moderate flood hazard areas, labeled Zone B or Zone X (shaded) are also shown on the FIRM, and are the areas between the limits of the base flood and the 0.2% annual chance (or 500-year) flood. The areas of minimal flood hazard, which are the areas outside the SFHA and higher than the elevation of the 0.2% annual chance flood, are labeled Zone C or Zone X (unshaded).

- **Base Flood Elevation (BFE):** The elevation of surface water resulting from a flood that has a 1% chance of equaling or exceeding that level in any given year. The BFE is shown on the Flood Insurance Rate Map for zones AE, AH, A1–A30, AR, AR/A, AR/AE, AR/A1– A30, AR/AH, AR/AO, V1–V30 and VE.
- **Letter of Map Change (LOMC):** A general term used to refer to the several types of revisions and amendments to FEMA maps that can be accomplished by letter. They include Letter of Map Amendment (LOMA), Letter of Map Revision (LOMR), and Letter of Map Revision based on Fill (LOMR-F).



After speaking with an Advocate Representative, Fred understood his neighbors' property was still at risk of flooding, even if the maps did not indicate the same risk.

Carl from Indiana laments over the costliness of disputing the maps and obtaining elevation information: "I have been providing information to the mapping department at my state for years. I have provided surveys, pictures, and every other piece of documentation requested. It is obvious from everything I have sent them my house is on a hill 10-12 feet above the Base Flood Elevation (BFE) which is validated by the state in a letter and map they sent me. This happened once in 2001 and FEMA accepted my information and removed the flood insurance requirement but didn't change the map as promised. I don't have the money required for an elevation certificate. Please help me because the flood insurance requirement has caused me to miss mortgage payments or be late and owe fees. I may lose my house if I can't get this fixed."

Carl had been trying to get a Letter of Map Amendment (LOMA) for many years and was at risk of losing his home. His flood insurance was unaffordable because his mortgage payments continued to rise. His home was in an un-numbered A zone, a Special Flood Hazard Area with no regulatory base flood elevation information. The state of Indiana helped establish a non-regulatory BFE at the property. With this BFE, the OFIA helped Carl understand and navigate the LOMA process. His surveyor then applied for a LOMA with all the provided information. The LOMA released Carl from the flood insurance mandate. Unfortunately for Carl, the fees for the surveyor and premium for force-placed flood insurance could not be recouped.

Insight

Policyholders face the financial dilemma of having to hire a surveyor for elevation information to appeal an effective FIRM, applying for a LOMA, or putting that money toward other needs.

Policyholders can utilize the free LOMA application process, but land surveys can be costly. A flood insurance policy can monopolize a policyholder's resources that might otherwise be used to obtain elevation information to start the process.

Call to Action

FEMA has no oversight of licensed land surveyors' fee structures or services. Some charge additional fees to assist with the completion and submission of a free LOMA application. However, there are actions FEMA can take to facilitate the LOMA filing processes as well as provide a product that better communicates risk.

RECOMMENDATION #1

- The program areas should combine insurance and mapping data to determine if there are properties that may be eligible for a LOMA.

FEMA provides technical assistance with the LOMA filing process which amends the map. The Federal Insurance Directorate (FID) has access to Elevation Certificate information used for insurance rating purposes. This same data could be compared with current regulatory mapping information to make determinations on LOMA eligibility. With an approved LOMA, a policyholder may be released from their lender's mandatory purchase requirements. If released, the property owner may be able to maintain the coverage amount and deductible they would like to carry.

FROM THE PROGRAM

The program areas will review, when possible, Elevation Certificate data and the accuracy of that information against the effective Flood Insurance Rate Maps. It should be noted, the lender can still require flood insurance with an approved LOMA, it is their prerogative.

There are additional opportunities for a property owner to apply for a LOMA using alternative sources of elevation information. The LOMA application process does allow for Light Detection and Ranging (LiDAR) contour elevation information to be used in lieu of surveyor-produced elevation information. LiDAR is generally obtained by a community or state and provided by the community for the LOMA process. The LiDAR data must meet or exceed the U.S. Geological Survey (USGS) Quality Level 3 accuracy requirement. This data may not be available in all communities, and some properties may not be eligible for this alternative. For information regarding LiDAR requirements for LOMAs, contact the FEMA Mapping and Insurance eXchange (FMIX) at 877-336-2627 or e-mail to: FEMA-FMIX@fema.dhs.gov.

RECOMMENDATION #2

- The Risk Management and Federal Insurance Directorates should leverage existing efforts to create a visual product that demonstrates risk levels in specific geographic areas.

Just as FEMA's new Risk Rating 2.0 insurance rating methodology uses modernized tools to capture property-specific risk, there are opportunities to leverage similar modernizations in mapping technology that could provide a property owner a clearer picture of their flood risk. Advances in technology also provide FEMA with a clearer picture of individual policyholder risk, potentially reducing the need for LOMAs. FIMA's Risk Management Directorate's (RMD) Risk MAP program continuously reviews and validates flood hazard data for the regulatory FIRMs to ensure fluctuating flood risk is captured. In addition, Risk MAP strives to improve community engagement surrounding risk awareness, risk communications, and understanding of flood risk. A visual non-regulatory mapping product of an individual property's flood risk can be created by utilizing these mapping and risk communication programs, while incorporating the newly modernized insurance rating information.

FROM THE PROGRAM

Risk Management Directorate is taking steps to analyze and update data development along with collection to support a risk informed program. The Risk Management and Federal Insurance Directorates and OFIA will collaborate to provide more non-regulatory data to the public to assist the NFIP customer's experience understanding risk.

What the OFIA Data Says

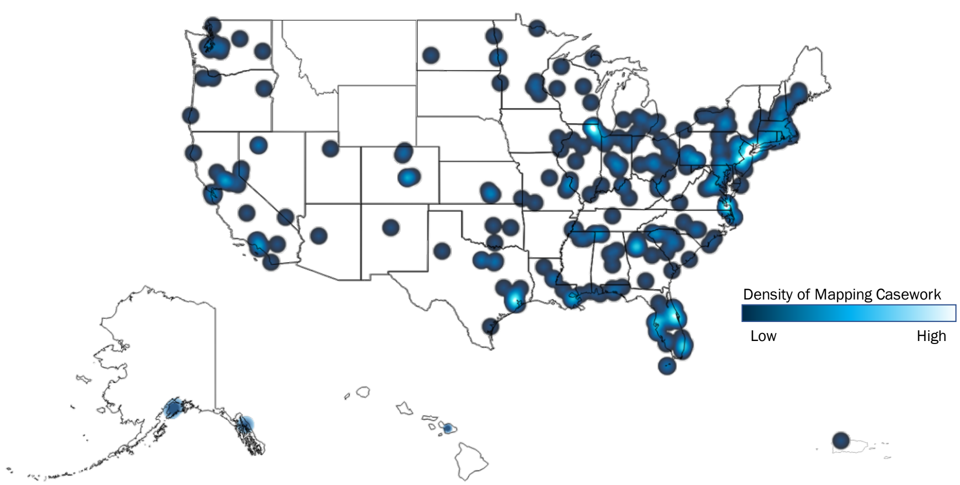


Figure 8. Geographical Density of Mapping Cases Received by the OFIA over a Six-Year Period

The density of mapping cases is shown in blue.

IV. Hazard Mitigation Assistance: Hazard Mitigation Assistance is difficult to traverse, slow, and not geared toward individual property owners or underserved communities

Property owners and community officials voice their concerns about the difficulty and timeliness of receiving mitigation grants. These grants are awarded to states, tribes, territories, and local communities. Property owners find it frustrating that much of the decision making is out of their control since grant applications must be prioritized by both local and state government and the homeowner cannot seek mitigation funding directly from FEMA. Communities, especially in socially vulnerable areas, often find the application process hard to navigate. Property owners frustrated with (and sometimes unaware of) the process come to the OFIA seeking guidance to ultimately help their community complete a grant application for their property.

What We Hear

"We continue to be stymied by seemingly arbitrary decisions from FEMA regarding our elevation grant award and subsequent modification request. My family is desperate for help."

Mike's application for Flood Mitigation Assistance (FMA) was submitted by his local community (via the state) in October 2017. By September 2018, Mike received an award letter that indicated his property had been selected for the mitigation grant he sought. However, the mitigation project has been in limbo ever since. In October 2019, Mike was asked to submit a revised scope of work and budget. Mike responded to the request and has now been waiting with little communication on the status. During this

Key Terms to Reference

- **Hazard Mitigation Assistance:** FEMA's Hazard Mitigation Assistance (HMA) grant programs provide funding for eligible mitigation activities that reduce disaster losses and protect life and property from future disaster damages including the Hazard Mitigation Grant Program (HMGP), Pre-Disaster Mitigation (PDM), Flood Mitigation Assistance (FMA) and Building Resilient Infrastructure and Communities (BRIC).
- **Hazard Mitigation Grant Program**: The Hazard Mitigation Grant Program provides funding to state, local, tribal, and territorial governments so they can rebuild in a way that reduces, or mitigates, future disaster losses in their communities. This grant funding is available after a Presidentially declared disaster.
- **Flood Mitigation Assistance Grant**: The Flood Mitigation Assistance Program is a competitive grant program that provides funding to states, local communities, federally recognized tribes, and territories. Funds can be used for projects that reduce or eliminate the risk of repetitive flood damage to buildings insured by the National Flood Insurance Program.

- **Severe Repetitive Loss Properties:** FEMA designates as Severe Repetitive Loss any NFIP-insured single-family or multi-family residential building:

  1. That has incurred flood-related damage for which four or more separate claims payments have been made, with the amount of each claim (including building and contents payments) exceeding $5,000, and with the cumulative amount of such claims payments exceeding $20,000; or
  2. For which at least two separate claims payments (building payments only) have been made under such coverage, with the cumulative amount of such claims exceeding the market value of the building.

  In both instances, at least two of the claims must be within 10 years of each other, and claims made within 10 days of each other will be counted as one claim. In determining SRL status, FEMA considers the loss history since 1978, or from the building's construction if it was built after 1978, regardless of any changes in the ownership of the building. The term "SRL property" refers to either an SRL building or the contents within an SRL building, or both.

waiting period, Mike's home flooded two more times. To add to his woes, his flood insurance premium increased from $2,500 per year to over $10,000. The hefty increase was attributed to his home being designated a Severe Repetitive Loss structure. The premium will remain extremely high until the mitigation work is completed. This is dependent on the receipt of the grant. One can clearly see that Mike's frustration with the grant process has been building for over four years.

"…the application process is such that it's impossible to know then what we know now after hiring engineers and contractors to assess the project. Plus, we're 4 years down the road and construction costs change over time. Therefore, our scope of work and budget has changed. Fortunately, the state has excess funds available from the same 2018 allocation because other projects are not moving forward. We'd like to re-allocate some of those funds to complete our project If we can't get this increase approved, ours will be another project that was funded by FEMA with good intentions but ultimately failed because of an overly complicated and lengthy application process".

Mike offered further insight regarding the difficulties in communicating with FEMA, "I've reached out to both of my Senators for assistance. The FEMA liaison indicated they don't foresee any issues with our approval, but no word on what the holdup is for the official statement. … Even our state's Department of Natural Resources administrator has been left without any communication from FEMA for months at a time."

Finally, Mike expressed the emotional roller coaster his family has been experiencing the past four years, "my wife and I cried tears of joy when we got word of this lifeline grant. The funds have already been allocated to the state. Please help us get the green light to move forward with our elevation project so these funds don't go to waste. It's a good project and will be a great model for future successful grants in an area that is in dire need of flood mitigation."

After Mike complied with all requests to produce documentation for the scope of work at the request of his community, he was at the mercy of others to ensure his grant funding went through. Mike even petitioned his community, state, and federal representatives to advocate on his behalf. The layers of government complexity created a cumbersome process that lengthened any chance of a speedy mitigation project. This predicament created a financial burden on Mike as his home was subject to higher insurance rates as an unmitigated property.

Insight

The OFIA often sees extreme Hazard Mitigation Assistance cases because of project-specific complexities. These cases tend to take longer to close than most OFIA cases. The Office collaborates with the Mitigation Directorate in FIMA to be a conduit for the customer and help bring resolution. There are several complexities individual property owners and underserved communities face:

- The property owner does not directly apply for grant assistance. State, local, tribal, and territorial (SLTT) governments develop applications and make determinations on which mitigation projects to champion.
- Inquirers have misconceptions of grant requirements, or experience breakdowns in communication due to the multiple layers of government at local, state, and federal levels.
- The navigation of the federal application process may be challenging and cumbersome for underserved communities with limited resources and staffing.
- Applications from communities mostly involve multiple properties that have a variety of mitigation needs. The projects may involve a mix of acquisition, floodproofing, relocation, elevation, demolition, and flood control structures or drainage projects. Individual property owners may find their mitigation measure held up in a larger project's execution.
- Communities implementing a neighborhood hazard mitigation strategy may meet resistance from property owners. In many communities a "checkerboard" is formed between mitigated and unmitigated properties, due to property owners choosing not to participate. As a result, empty lots are created by acquisitions and elevated buildings may be next door to non-elevated buildings, which some find visually unappealing. Additionally, acquisitions are often burdensome to a community as it must take ownership of the parcel and maintain it, while losing out on the property's tax revenue.

Call to Action

The Disaster Recovery Reform Act (DRRA) of 2018 made unprecedented financial support available for mitigation projects and created the Building Resilient Infrastructure and Communities (BRIC) program. Additional funding was allocated because of COVID-19 major disaster declarations and the Infrastructure Investment and Jobs Act (IIJA). These initiatives demonstrate the Administration's and Congress's financial commitment to FEMA's Hazard Mitigation Assistance (HMA) programs.

RECOMMENDATION #1

- A focused approach is needed to remove barriers in the grants process for individuals and communities, particularly for those who have been underserved by the NFIP.

FROM THE REPROGRAM

The Mitigation Directorate is pursuing the possibility of allowing Private Non-Profits (PNPs) to become sub-applicants for mitigation funds. PNPs could assist property owners and underserved communities in the implementation of FEMA's grant programs. PNPs would become the direct sub-applicant to the state, and lead development and implementation of mitigation opportunities in communities unwilling or unable to pursue grant funding options.

Mitigation is currently working on ways to make the grant mechanism easier.

- Mitigation is developing improvements to better align mitigation funding opportunities with the disaster survivor experience of NFIP Policyholders by making grant funding available shortly after a disaster. An initiative called "Swift Current" aims to reduce the time between funding availability and award for Flood Mitigation Assistance.

- Mitigation has also considered the feasibility of "direct-to-property-owner" grant programs. There are many complications to this type of funding mechanism. The local community has a better holistic understanding of community hazard mitigation needs and the best comprehensive solutions for community resilience. Direct-to-property-owner funding may impede holistic community flood mitigation and create additional complications for neighborhoods, infrastructure, and communities as a whole.

- Several FIMA components and regions are working to streamline the federal portion of the application process and develop an application prioritization procedure that focuses on repetitive loss and substantially damaged properties.

What the OFIA Data Says

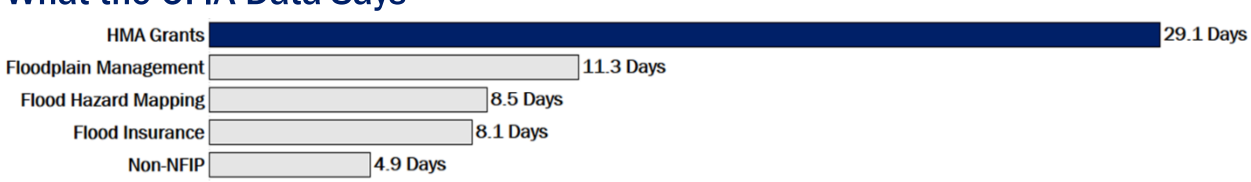


Figure 9. Average Business Days to Resolve OFIA Casework

The OFIA sets standards to address cases in a timely manner. Cases involving HMA Grants take longer, on average, to resolve.

V. Floodplain Management and Mitigation: Mitigating structures can be costly and floodplain management requirements are confusing for the average homeowner and their community

Key Terms to Reference

- **Substantial Damage**: Substantial damage, as it relates to flood insurance, applies to a structure in a Special Flood Hazard Area (SFHA) – or a 1% annual chance floodplain – for which the total cost of repairs of damage caused by flood is 50% or more of the structure's market value before the loss occurred. The substantial damage percentage could be less than 50% as determined by the local jurisdiction. When a building in a floodplain is determined by the local official to be substantially damaged, it must be brought into compliance with local floodplain management regulations.

Floodplain management regulations are in place to constrict the development of land which is exposed to flood damage, where appropriate, guide the development of which are threatened by flood hazards, assist in reducing damage caused by floods, and otherwise improve the long-range land management and use of flood-prone areas. Flood losses can be devastating for a homeowner and recovery can take a long time. Not only does the property owner have to deal with the initial loss but many must also rebuild to local floodplain management standards in the aftermath. Underserved communities may not have the same resources to provide accurate and timely guidance to their constituents, creating an atmosphere for misinformation, misunderstandings, and slower recovery. State and regional resources are available to local communities for assistance, but the community is the ultimate authority on enforcing its local floodplain management standards.

What We Hear

"I was in compliance with the house, but now ICC [Increased Cost of Compliance] says my garage--attached several years later and a frame dwelling--is not in compliance. I am 79 years old and have lived in this house 49 years. I would like for this reconciled before I die."

Patricia experienced a devastating flood loss to her slab-on-grade, two-story home in 2019. The flood largely impacted the lower level of her home, which included her living room, kitchen, and garage. She had flood insurance which covered most of her building and contents damage. The loss triggered her community to declare the structure Substantially Damaged and require that she elevate her structure. With a Substantial Damage declaration, and that damage by flood, she became eligible for Increased Cost of Compliance (ICC) coverage which is part of her Standard Flood Insurance Policy.

Patricia and her local permit official discussed doing a second-story conversion where the home's lower level would be transformed into an abandoned living space. A second-story conversion would move the living space to the next floor and above the Base Flood Elevation.

Her insurance company provided half of the ICC coverage, $15,000, to start the mitigation project. Under her policy, Patricia would not be eligible for the remaining $15,000 in ICC coverage until she completed the elevation. The part-time community official and local construction company hired to do the work did not fully understand the standards of an elevated structure to meet insurance requirements. **"My local County Building and Planning who approved everything before and after the compliances, told me I was in compliance with the house, but now the insurance company says it is not in compliance."**

Because the construction did not meet the requirements for an NFIP-insured elevated building, the insurance company could not release the remaining ICC funding. In addition, as a condition of ICC coverage, if the structure was not compliant, Patricia would need to pay back the original $15,000 that was advanced for the elevation project.

There were still drywall, fixtures, mechanicals, and wood frame walls left in Patricia's lower level that needed to be addressed. **"I am doing the drywall removal myself since I cannot**

- **Increased Cost of Compliance:** Increased Cost of Coverage (ICC) coverage is flood insurance for expenses a policyholder incurs, above and beyond physical damage sustained from a flooding event, to repair or rebuild a flood-damaged building in compliance with state or local floodplain management ordinances or laws. ICC coverage pays up to $30,000, subject to eligibility, toward the cost of acceptable mitigation measures. Compliance activities eligible for payment are elevation, floodproofing, relocation, demolition, or any combination of these activities. Eligible floodproofing activities apply only to non-residential buildings and residential buildings with basements that satisfy FEMA standards.
- **Elevated Building:** A building that has no basement and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns. Solid (perimeter) foundations walls are not an acceptable means of elevating buildings in V and VE zones.

afford help.” Patricia needed help. The OFIA educated Patricia and the local official on what was needed to ensure compliance for an elevated structure. The Office also looked for assistance outside of traditional FEMA avenues to help Patricia. Patricia hired a new contractor who completed the second story conversion in compliance with the requirements, and she received the remaining ICC funds without having to pay back the $15,000 advance.

Insight

Based on casework analysis, the OFIA notes the following points of confusion regarding mitigation and compliance:

- The steps to proper mitigation are often not clear. Consistent information from FEMA, the community, and insurance company is not always provided to the homeowner who has the burden to comply.
- Compliance with local floodplain management standards is often costly, creating continued challenges for lower-income households.
- Although ICC is a vital funding source for mitigation, the ICC process creates another layer of confusion when attempting to comply with multiple requirements between local land management and use ordinances and insurance requirements.
- Community officials are often tasked with multiple roles compounded by limited time and expertise when enforcing consistent floodplain management regulations. Also, when community officials move on, a knowledge gap is created from prior administrators.
- Small rural and urban communities often do not have the same resources to enforce floodplain management regulations or participate in incentive programs such as the Community Rating System (CRS), which communities qualify for by adopting higher floodplain management standards. Policyholders who reside in communities unable to meet CRS requirements miss out on the opportunity for premium discounts through the CRS program.

Call to Action

The OFIA has a legislative mandate to educate policyholders on “measures to reduce flood insurance rates through effective mitigation.” In addition, the OFIA seeks solutions for underserved communities that do not have the same resources as larger communities to administer the floodplain management aspects of the National Flood Insurance Program (NFIP).

RECOMMENDATION #1

- In response to the Disaster Recovery Reform Act of 2018 (DRRA), the OFIA recommends FEMA enhance technical assistance and financial support for states and local governments to facilitate building code and floodplain management implementation.

FROM THE PROGRAM

DRRA Section 1206 authorizes FEMA to provide communities with the resources needed to effectively administer and enforce building code and floodplain management ordinances. This represents new funding for communities to carry out required post-disaster activities (for example, building inspections, substantial damage estimations, etc.) — increasing the overall speed of recovery and enhancing NFIP compliance. To ensure successful implementation of the DRRA 1206 policy, the Floodplain Management Division (FPMD) and Public Assistance (PA) are continuing to develop communication products and encouraging stakeholder engagement.

Volumes 1 and 2 of the DRRA 1206 Frequently Asked Questions (FAQs) Published: The DRRA Section 1206 FAQs are now available to view on FEMA's website. These FAQs provide specific guidance to FEMA staff and Public Assistance applicants on how to successfully seek reimbursement when applying for this new funding opportunity. The FAQs contain key information on eligibility requirements to help communities plan now to meet the 180-day Congressionally mandated deadline following a major disaster declaration. Development of this new resource represents the successful collaboration between these two FEMA divisions.

Stakeholder Engagements on DRRA 1206: The Floodplain Management Division continues to support communication and outreach efforts with regional, state, and local stakeholders on DRRA 1206 to increase awareness and understanding of the policy, including the following offered in 2021:

- On July 12-13, 2021, the Floodplain Management Division, National Exercise Division (NED), Building Science, and FEMA Region 6 staff conducted a highly successful, two-day, DRRA 1206 virtual workshop delivered to staff from the Louisiana NFIP Coordinator's Office, State Public Assistance Office, Governor's Office of Homeland Security and Emergency Preparedness, Louisiana State Uniform Construction Code Council, and the Louisiana Office of State Fire Marshall. The goal of the exercise was to pilot a national workshop that can be duplicated in various states/regions to provide critical information to communities on DRRA Section 1206.

- On October 25, 2021, the Floodplain Management Division met with FEMA's Federal Coordinating Officers (FCOs) to share critical information on DRRA 1206. This engagement provided a unique opportunity to raise awareness of DRRA 1206 and promote the use of the policy.

- On December 6-7, 2021, FEMA Region 1 hosted the second installment of the DRRA 1206 Workshop exercise tailored for the Commonwealth of Massachusetts. The Floodplain Management Division coordinated again with the National Exercise Division to deliver this scenario-based exercise intended to improve communities' pre-disaster planning today in order to meet post disaster needs tomorrow.

- FEMA Regional Floodplain Management and Insurance Branches and Headquarter's Floodplain Management and National Exercise Divisions will continue to offer DRRA 1206 workshops, develop subsequent versions of FAQs, deliver a presentation at the Association of State Floodplain Managers Annual Conference in May 2022, and release an informational video on DRRA 1206 geared towards community officials in the spring of 2022.

RECOMMENDATION #2

- The OFIA recommends the CRS program explore ways to provide socially vulnerable communities with assistance to join and achieve goals within the program. In addition, the OFIA asks the program to revisit community incentives or provide a version of CRS that could cater to historically underserved and marginalized communities based on vulnerability, hazards, and available resources. Ensuring all communities have the opportunities for these incentives is an equitable approach.

Leveraging data analytics, the OFIA is focused on identifying underserved communities that have difficulty accessing resources. The OFIA seeks to remove barriers these communities face. Using the National Risk Index and OFIA data sources, the Office notes disparities exist for underserved communities within FEMA's Community Rating System (CRS). CRS incentivizes communities to enforce higher regulatory standards and employ robust communication outreach. In return, policyholders in that community receive flood insurance premium discounts which are offset by flood premiums paid in non-CRS participating communities. Discounts increase as communities employ more elements of the Community Rating System.

Underserved communities are faced with challenges in meeting CRS prerequisites. CRS inherently rewards communities with new development as higher scoring activities apply to new construction. Socially vulnerable communities often do not have extensive new development. Additionally, they may lack the resources required to achieve advanced program incentives.

FROM THE PROGRAM

The CRS Program is undertaking a multi-year effort to transform the CRS, called CRS Next. CRS Next recognizes the perceived disparities in socially and economically vulnerable communities to be able to participate and maximize the opportunities that CRS provides. CRS Next is currently analyzing data to best understand these disparities and the extent of the current impact. As new approaches and processes are developed for the transformed CRS, we will use this data analysis and input from experts in the field of equity to ensure the transformed CRS is a more equitable solution and can support these vulnerable communities and populations.

Social equity is identified as a key guiding principle for both designing the program and leadership decision-making on the CRS Next products and outcomes. Social equity was a priority as we began conceiving the CRS Next initiative. Now with the Justice40 order and FEMA's strategic goal of prioritizing actions that advance equity for historically underserved, it is more important than ever to design a more equitable CRS. The CRS Next initiative is committed to achieving a more equitable CRS and ensuring all communities have improved opportunities to access CRS benefits.

RECOMMENDATION #3

Local floodplain administrators play a significant role in helping homeowners understand the risk of flooding and taking measures to reduce that risk.

Under Risk Rating 2.0, the OFIA will work with FIMA to promote the development of working aids and tools for local floodplain administrators, recognizing their unique role in risk communication. These aids will help communicate the relationship between reducing flood risk through effective mitigation and the cost of flood insurance.

FROM THE PROGRAM

In the fall of 2021, the Floodplain Management Division supported the Association of State Floodplain Managers (ASFPM), who sponsored offerings of webinars for floodplain managers, titled "Risk Rating 2.0: What Floodplain Managers Need to Know." FEMA staff served as the lead instructor for each of the offerings with several hundred participants attending each one. The webinars were held in September, October, and November. The webinars were focused on a local and state floodplain management audience and included discussion of the new flood insurance rating methodology. Floodplain management staff from both headquarters and the regions answered several questions during the webinars from participants. ASFPM received positive feedback from participants after each of the sessions.

What the OFIA Data Says

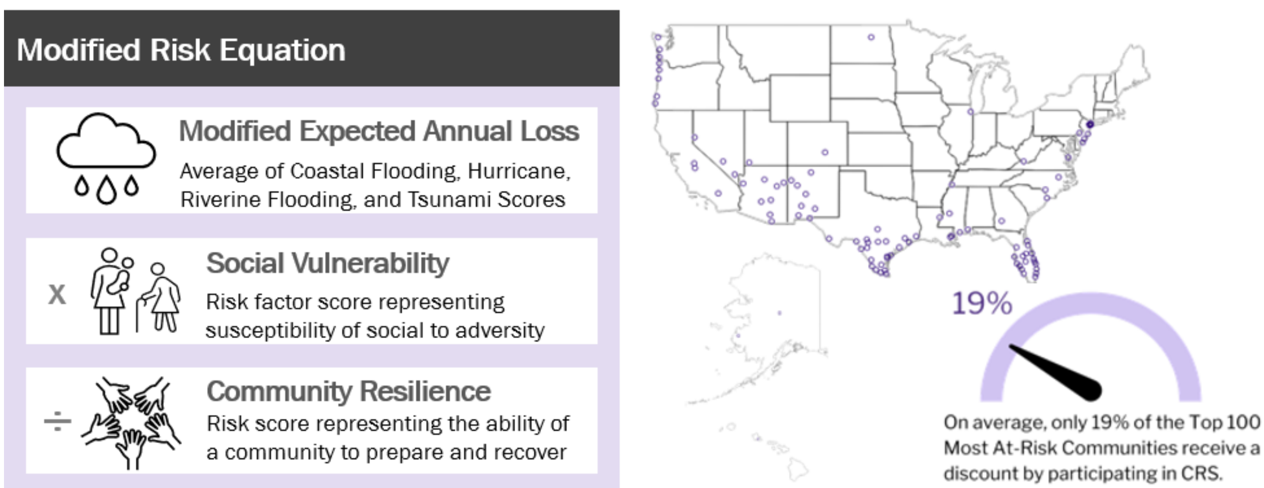


Figure 10. Top 100 Most At-Risk Communities

A modified equation from the National Risk Index depicting flood hazard data, coupled with the social vulnerability and community resilience scores identifies the top 100 most at-risk communities participating in the NFIP, indicated by circles on the map. On average, 19% of the top 100 most at-risk communities receive insurance discounts by participating in CRS.

Maximizing Resources to Promote Affordability and Understanding

This report presented some of the most complex topics around National Flood Insurance Program (NFIP) affordability. In addition to the recommendations above, the OFIA has identified the following resources for policyholders and property owners to use to educate themselves and address some of the affordability challenges we presented in this year's report.

Elevation Certificate for Letters of Map Amendment

To best utilize a resource that National Flood Insurance Program (NFIP) customers may already have, the OFIA recommends a property owner determine if they have an Elevation Certificate (EC). A property owner may also ask their local community official or their insurance provider if there is an EC on file for their property. A property owner who has received a property survey and subsequent Elevation Certificate may be eligible for a Letter of Map Amendment (LOMA) if the lowest adjacent grade touching the structure is at or above the Base Flood Elevation. An approved LOMA may remove the mandatory purchase requirement of a lender. A property's mapping information can be found at FEMA's Map Service Center.

LiDAR for Letters of Map Amendment

In some cases, Light Detection and Ranging (LiDAR) data from a federal, state, or local government agency may be submitted to meet the elevation requirement instead of the Elevation Certificate or Elevation Form. LiDAR uses airborne sensors to survey land and create high-definition maps. Please note that LiDAR data is not accepted for LOMR-Fs, only LOMAs. Not all LiDAR data meets LOMA standards.

For information regarding LiDAR requirements for LOMAs, or to speak with a Map Specialist about the amendment application process, contact the FEMA Mapping and Insurance eXchange (FMIX) at 877-336-2627 or email to: FEMA-FMIX@fema.dhs.gov.

For more information on LOMAs and map change processes, visit:

https://www.fema.gov/flood-maps/change-your-flood-zone/loma-lomr-f

Community Rating System

As highlighted in this report, the OFIA encourages incentivizing and assisting underserved communities with access to FEMA programs. The Community Rating System (CRS) is a voluntary incentive program that recognizes and encourages community floodplain management practices that exceed the minimum requirements of the NFIP. In CRS communities, flood insurance premium rates are discounted to reflect the awareness of flood risk resulting from the community's efforts that address the three goals of the program:

- Reduce and avoid flood damage to insurable property
- Strengthen and support the insurance aspects of the NFIP
- Foster comprehensive floodplain management

When possible, we encourage communities to consider joining and working towards incentive discounts that aid individual property owners.

Educational Videos

The OFIA embarked on a video production project to help NFIP customers understand frequently misunderstood concepts. Confusion around certain flood insurance terminology was identified through OFIA's casework and research. The OFIA sought to address these commonly misunderstood topics with straightforward and informative videos:

- Basements: Explains how basements are defined under the NFIP
- Flood Risk: An overview of tools and considerations for assessing flood risk
- When Flood Insurance is Required: Explains when flood insurance is required verses when it is simply recommended
- The Claims Process: This video gives the viewer an overview of the process for filing a flood insurance claim after a flood

One Voice: Continued Collaboration

In past reports, the OFIA has highlighted changes designed to reduce complexity, improve communication to customers, and expand agent education and training. The Office has also expressed support for the transformation of National Flood Insurance Program (NFIP) rating to leverage industry best practices and current technology to deliver rates that are more actuarily sound, easier to understand and more accurately reflect a property's true flood risk. Through collaboration with Federal Insurance and Mitigation Administration (FIMA) offices, the OFIA will continue to represent the voice of the customer in all aspects of the NFIP, champion for historically underserved populations, and advocate for affordable flood insurance options. The Office will remain committed to FIMA's transformation into a world-class organization that prioritizes customer service. Below are direct quotes from OFIA customers.

"After spending two and half months contacting FEMA, SBA, and my representative's office, and getting no concrete information on my issue, dealing with OFIA was a breath of fresh air. I got the answers I had needed in two emails and a phone conversation. Thanks!"

"I was extremely pleased with the promptness of the reply. It was informative and I felt they really wanted to assist me. The lady who called me explained things and answered questions I have been asking for years. I am more than pleased and sincerely appreciate your assistance."

"Amazingly quick response. They seemed to have even more information on the property that I had included in my inquiry. Thanks again for the assistance."

"I could almost cry out of happiness. This is wonderful news. Thank you for all of your help!"

"I am writing to thank you. I just received my flood insurance refund. You did in one phone call what I had been trying to do for six months. I very much appreciate it."

"The Advocate's Office does a great job assisting with any concerns we have! Your advocate representative was also very helpful and courteous."