



FEMA



Living with Levees: A Shared Responsibility

Information for Lending Professionals

What is a Levee?

A levee is a man-made structure, such as an earthen embankment, that helps contain or control the flow of water during a flood. Many levees were first built by farmers to protect agricultural areas from frequent flooding. Some of these date back more than 150 years. These same levees are now in place in residential and commercial areas, where they do not provide as much protection as residents and business owners would like to believe. Other levees were designed to help reduce risk to urban areas, but only from a certain size flooding event. It is important to remember that any levee can be overtopped by large floods, and that levees require regular maintenance to retain their level of protection.

Levees Do Not Eliminate Risk

Levees *reduce* risk during certain flood events. They do not provide complete protection from flooding. They can and do deteriorate over time and must be maintained to retain their effectiveness. When levees fail, or are overtopped, the results can be catastrophic. In fact, the flood damage can be greater than if the levee had not been built.

Even without a major flood, levees can fail if they are not properly maintained. Improper drainage, erosion, seepage, subsidence and even earthquakes can all lead levees to fail and result in catastrophic flooding. As an insurance professional, it is important for you to understand and properly communicate your clients' risks associated with levees and the financial protection provided by flood insurance.

FEMA's Role in Identifying Levee-Related Flood Risks

The Federal Emergency Management Agency (FEMA) is responsible for managing the National Flood Insurance Program (NFIP). Through the NFIP, FEMA provides Federal flood insurance policies since most homeowner insurance policies do not cover damage due to flooding. In addition, FEMA is charged with accurately identifying flood hazards and assessing flood risks including hazards and risks in levee-impacted areas.



The United States has thousands of miles of levees along its rivers, lakes, and coastlines, reducing the risk of flooding for communities across the nation. As a lending professional, you play an important role in educating borrowers about the risk of flooding on their property, especially if it is near a levee. Likewise, it is important that you understand any effects that changes in the levee's status or flood map may have on the borrower and on your loan portfolio along with any resulting changes in flood insurance requirements.

RiskMAP
Increasing Resilience Together

FEMA does not build, maintain, or certify levees. It is the responsibility of the levee's owner (e.g., local community, county, levee board, state, U.S. Army Corps of Engineers [USACE]) to certify the levee meets or exceeds minimum Federal requirement for reducing flood risks. If certification is not provided, FEMA will not accredit the levee as providing the minimum federally-required level of risk reduction.

Since the 1970s, FEMA has provided communities with flood hazard information in the form of Flood Insurance Rate Maps (FIRMs). FIRMs show high-risk areas, referred to as Special Flood Hazard Areas (SFHAs) that have a one-percent chance of flooding in any given year. FIRMs also show moderate- and low-risk areas. Currently under its Risk Mapping, Assessment, and Planning (Risk MAP) program, FEMA is updating the FIRMs, Nationwide.

Before a loan closing, Federally-regulated and insured lenders are required to determine if the building is located in a high-risk area. This includes areas behind a levee which are de-accredited or not accredited at all. If in a high-risk area, buyers are required to purchase flood insurance before the loan closes.

Some buildings may be in a moderate- or low-risk flood zone, including properties behind a levee currently accredited or awaiting accreditation. While the borrower is not *federally required* to purchase flood insurance in these areas, the lenders should still recommend flood insurance to financially protect the loan and the customer, since the flood risk around the levee is only reduced, not eliminated.

Additionally, it is important for lending professionals in areas near levees to stay informed about impending changes to the accreditation status of a levee. If a levee status changes and the levee, for example, is de-accredited while awaiting the loan to close, the borrower can be notified in advance so flood insurance can be purchased and closing is not delayed.



Protect Your Investments

Living and working behind levees is a shared responsibility and local lending professionals play an important role as they make critical decisions daily about how to best protect their loan portfolios. Requiring borrowers to purchase flood insurance is one way to do this. Here are a few additional tips:

- **Know the facts about levees.** Flooding does occur in areas behind levees and levees can and do fail. Because of these unique flood risks, it is important properties behind levees carry flood insurance, even if they are not shown in a high-risk SFHA.
- **Help your clients understand their risks.** Know where the levees are in the communities you service, and what level of protection they provide. You may want to contact local officials to find out what areas are likely to flood should a levee fail or be overtopped. This information can help you and your clients determine the level of coverage necessary to protect their investments.
- **Be informed about the NFIP.** Flood insurance is required for most loans for properties in the high-risk SFHAs, and it is also strongly recommended for areas protected by accredited levees. By requiring flood insurance as a condition of your loans, you are protecting your investment and your clients.



For More Information

FEMA has a variety of resources available to help you and your clients understand flooding and flood insurance.

- For more information on levees, please visit the Levee Stakeholder page at: www.fema.gov/plan/prevent/fhm/lv_ins.shtm.
- For more information on flood insurance, please visit the FloodSmart Website at: www.FloodSmart.gov.
- For more information on flood hazard mapping, please visit the Lenders page at: www.fema.gov/plan/prevent/fhm.
- To locate a property on a FIRM, visit the FEMA Map Service Center at: www.msc.fema.gov.

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