Welcome to the Environmental Requirements and Flood Insurance training module presented by USDA’s Single Family Housing Guaranteed Loan Program.
Understanding the rules and requirements regarding potential environmental and flood concerns is important to ensuring you have an acceptable program property.
Lenders are required to utilize due diligence to ensure that the property is free of known hazards that may have an adverse effect on the health and safety of the occupants or the security of the loan.
Flood Hazards
HB-1-3555, Chapter 12.10 B

Existing Dwellings

- Lender must ensure FEMA Form 086-0-32, “Standard Flood Hazard Determination Form (SFHDF)” is completed to determine if the dwelling is located in a Special Flood Hazard Area (SFHA).
- Flood insurance is required when any portion, including carports or decks, of the primary residential structure is located in a SFHA.
- Flood insurance is not required for structures such as sheds and garages that are detached from the primary residential structure.

- The lender must ensure FEMA's Standard Flood Hazard Determination Form is completed to determine if the home is located in a Special Flood Hazard Area.
- Existing dwellings in a SFHA are eligible only if flood insurance is available for the community and it is purchased by the borrower.
- Flood insurance is required when any portion of the primary residential structure is located in a SFHA, including attached structures such as decks or carports.
- Flood insurance is not required for structures such as sheds and garages that are detached from the primary residential structure.
Flood Hazards

HB-1-3555, Chapter 12.10 B

New or Proposed Construction

- New construction in a SFHA is ineligible for a loan guarantee unless the lender obtains:
  - Final Letter of Map Amendment or Final Letter of Map Revision from FEMA removing the property from the SFHA, or;
  - Form 086-0-33 Flood Insurance Elevation Certificate documenting the lowest floor is above the 100-year flood elevation.
  - Lender must also document that there are no practicable alternatives to new construction that are acceptable to the applicant.

- New or proposed construction in a Special Flood Hazard Area is ineligible for a loan guarantee unless a final Letter of Map Amendment or final Letter of Map Revision removing the property is obtained from FEMA; or
- The lender obtains a FEMA National Flood Insurance Program Elevation Certificate that documents that the lowest floor (including the basement) of the residential building, and all related improvements and equipment essential to the value of the property, are built at or above the 100-year flood elevation.
- The file must also document that there is a demonstrated need for the SFHGLP and there are no practicable alternatives to new construction within the SFHA that are acceptable to the applicant(s).
Flood Hazards
HB-1-3555, Chapter 12.10 B

Flood Insurance

- Flood Insurance must cover lesser of the outstanding principal balance of the loan or the maximum amount allowed under FEMA's NFIP.
- Maximum deductible should not exceed the greater of $1,000; 1% of the face amount of policy, or the minimum deductible offered by the borrower’s chosen insurance carrier.

- For properties that require flood insurance; the flood insurance must:
- Cover the lesser of the outstanding principal balance of the loan or the maximum amount allowed under FEMA’s National Flood Insurance Program and
- the maximum deductible must not exceed the greater of $1,000 or one percent of the face amount of the policy, or the minimum deductible offered by the borrower’s chosen insurance carrier.
Flood Hazards

HB-1-3555, Chapter, 12.10 B

Existing dwellings and newly constructed dwellings located within a SFHA which are not served by public sewer systems must have a drinking water supply which is protected from cross contamination from on-site septic/sewage treatment during flooding.

A property services by an on-site septic or sewage treatment system is eligible provided one of the following can be met:

1. The property is served by a publicly provided water supply,
2. The property is serviced by a private drinking water/well supply with a fitted sanitary well cap which will prevent backflow of flood water, or;
3. The property is served by a private drinking water/well supply where the opening is located above the base flood elevation of the SFHA.

- Existing and newly constructed dwellings that are located within the SFHA which are not served by public sewer systems and have on-site septic or sewage treatment systems must have a drinking water supply which is protected from cross contamination from the on-site septic/sewage treatment during flooding.

- In order for a property that falls under this criteria to be eligible, one of the following must be met:
  1. The property is served by a publicly provided water supply,
  2. The property is serviced by a private drinking water/well supply with a fitted sanitary well cap which will prevent backflow of flood water, or;
  3. The property is served by a private drinking water/well supply where the opening is located above the base flood elevation of the SFHA.
Let’s review the forms that are essential for an environmental review.
• First is FEMAs “Standard Flood Hazard Determination Form”.
• This form is required on all loans to determine if the dwelling or proposed building site is located in a Special Flood Hazard Area.
• The form is available on FEMA’s website.
• Next is FEMAs “Elevation Certificate”.
• This form is required on all new or proposed construction to determine if the lowest floor (including the basement) of the residential building, and all related improvements/equipment essential to the value of the property, are built at or above the 100-year flood elevation and comply with the National Flood Insurance Program criteria.
• This form must be completed by a licensed engineer or surveyor.
Agency staff completes the form.

Lender must be able to identify potential environmental impacts prior to loan submission.

- Lastly is RD Instruction 1970-B, Exhibit D.
- This form is completed by the Agency to determine if there are any significant environmental impacts regarding a subject property.
- Lenders are encouraged to become familiar with the form so that they can identify any potential environmental impacts prior to submission.
- Displayed here are pages 1 and 2.

RD Instruction 1970-B, Exhibit D

- **Agency** staff completes the form.
- **Lender** must be able to identify potential environmental impacts prior to loan submission.

- Displayed here are pages 3 and 4.
- Agency staff will sign the form as the preparer and approving official.
- If there are any areas of concern that would require a review by the State Environmental Coordinator, their signature would be required as well.
Lender Toolkit

Rural Development has developed numerous tools and resources to assist lenders with originating, processing, and servicing guaranteed loans.
• This training module has provided you with an overview of the key requirements of Environmental Requirements and Flood Insurance.
• Complete program requirements and guidance on this topic can be found in 7 CFR Part 3555, Subpart A, Section 3555.5 and Chapters 4, 6, 12, 15, and 16 of HB-1-3555.
• Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
• The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.
• Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we’re here to help.
• All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
• If you would like to request additional program training, contact our Lender and Partner Activities Branch.
The Single Family Housing Guaranteed Lender webpage was specifically designed for our lending partners and includes information such as:

• Current turn times on new loan applications
• Contact information, and
• Links to program resources such as our 3555 Handbook and the USDA LINC website.
• Also, don’t forget to sign up for our GovDelivery email notifications. Rural Development sends out origination, GUS, and servicing messages to alert lenders of new publications, clarifications, and additional program updates.
Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America’s rural homebuyers!
This will conclude the training module. Thank you and have a great day!