Environmental Requirements and Flood Insurance

Single Family Housing Guaranteed Loan Program (SFHGLP)

November 2020
Let's Review...

- Environmental Requirements
- Flood Hazard Policy
- Lender Due Diligence and Responsibility
Lenders are Required to:

- Utilize due diligence regarding potential environmental hazards;
- Ensure the property is safe, sanitary, and;
- Has sufficient value to adequately secure the loan.

HB-1-3555, Chapter 12, Section 4: Environmental Requirements

HB-1-3555, Chapter 12.10A: Due Diligence

7 CFR 3555.5 (d): Lender and Loan Applicant Responsibilities
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.
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.
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.
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 which opening is located above the base flood elevation of the SFHA.
FEMA 086-0-32
Standard Flood Hazard Determination Form (SFHDF)

Required on all loans to determine if the dwelling is located in a Special Flood Hazard Area

FEMA 086-0-33
Elevation Certificate

Completed by a licensed engineer or surveyor


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**U.S. DEPARTMENT OF HOMELAND SECURITY**
Federal Emergency Management Agency
National Flood Insurance Program

**ELEVATION CERTIFICATE**

Important: Follow the instructions on pages 1-6.

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**SECTION A – PROPERTY INFORMATION**

<table>
<thead>
<tr>
<th>Property Information</th>
<th>For Insurance Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1. Building Owner’s Name</td>
<td>Policy Number:</td>
</tr>
<tr>
<td>A2. Building Street Address (including Apt., Unit, Suite, and/or Block No.) or P.O. Route and Box No.</td>
<td>Company N/AIC Number:</td>
</tr>
<tr>
<td>City</td>
<td>State</td>
</tr>
</tbody>
</table>

**SECTION B – FLOOD INSURANCE RATE MAP (FIRM) INFORMATION**

<table>
<thead>
<tr>
<th>Property Information</th>
<th>Flood Zone(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1. NFIP Community Name &amp; Community Number</td>
<td>Flood Zone(s)</td>
</tr>
<tr>
<td>B2. County Name</td>
<td>Flood Zone(s)</td>
</tr>
<tr>
<td>B3. State</td>
<td>Flood Zone(s)</td>
</tr>
<tr>
<td>B4. Map Panel Number</td>
<td>Flood Zone(s)</td>
</tr>
<tr>
<td>B5. Suffix</td>
<td>Flood Zone(s)</td>
</tr>
<tr>
<td>B6. FIRM Index Date</td>
<td>Flood Zone(s)</td>
</tr>
<tr>
<td>B7. FIRM Panel Effective/Revised Date</td>
<td>Flood Zone(s)</td>
</tr>
<tr>
<td>B8. Base Flood Elevation(s) (Zone A1 and Base Flood Depth)</td>
<td>Flood Zone(s)</td>
</tr>
</tbody>
</table>

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B10. Indicate the source of the Base Flood Elevation (BFE) data or base flood depth entered in Item B9:
- FIPS Profile
- FIRM
- Community Determined
- Other Source

B11. Indicate elevation datum used for BFE in Item B9:
- NAVD 1927
- NAVD 1988
- Other Source

B12. Is the building located in a Coastal Barrier Resources System (CBRS) area or Otherwise Protected Area (OPA)?
- Yes
- No
Agency staff completes the form.

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

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

7 CFR Part 3555 / HB-1-3555
Question

If the minimum deductible for a flood insurance policy exceeds $1000 and/or 1% of the face amount of the policy, the applicant may still select that policy.

A. True  B. False
Answer

True

Unless a higher amount is allowed by state or federal law (which includes FEMA policies), the maximum deductible clause for a flood insurance policy should 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.

HB-1-3555 12.10 (B)
In addition to a Final Letter of Map Amendment or Final Letter of Map Revision from FEMA, and Form 086-0-33 Flood Insurance Elevation Certificate documenting the lowest floor is above the 100-year flood elevation, the lender must also document that there are no practicable alternatives to new construction that are acceptable to the applicant.

A. True    B. False
Answer

True

Documentation is included in the file in accordance with RD Instruction 1970 Subpart F, 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). Examples include but are not limited to the following: the entire community is located within the SFHA, there are no comparable homes to the proposed new dwelling, the existing housing stock is unacceptable to the applicant, etc.

HB-1-3555 12.10 (B)
Question

A property serviced by an on-site septic or sewage treatment system is eligible provided that the property is served by a publicly provided water supply.

A. True          B. False
A property serviced by an on-site septic or sewage treatment system is eligible provided any one of the following can be met:

- The property is served by a publicly provided water supply,
- The property is serviced by a private drinking water/well supply with a fitted sanitary well cap which will prevent backflow of flood water from entering the drinking supply, or;
- The property is served by a private drinking water/well supply which opening is located above the base flood elevation of the SFHA. Additional documentation, such as an elevation certificate, will be required to verify this type of property
Way to Go!
LEARNING CHECK COMPLETED!
Lender Toolkit
Have a question on POLICY?

Contact the PAC team!

Need TRAINING?

Contact the LPA team!

Have a question on a SPECIFIC FILE?

Contact the OPD!
Lender Webpage

Monitor posted turn times daily

Don't forget to sign up for GovDelivery updates

https://www.rd.usda.gov/page/sfh-guaranteed-lender

SFH Guaranteed Lender

COVID-19
An Important notice for servicers with loans insured or guaranteed by the Rural Housing Service CARES Act Forbearance Fact Sheet for Mortgage Servicers

Loan Status
We are currently reviewing new loan applications and conditions received on or before 06/19/2020

Subscribe to Notifications
Critical program information such as policy updates, funding states, and automation changes are sent by email through GovDelivery. Sign Up to Receive Critical Updates.

Overview
On February 16, 2020 we integrated the Guaranteed Loan Program into a single integrated national team! For more information, please reference our Integration Information Sheet.

USDA Rural Development's Guaranteed Loan Program assists approved lenders in providing up to 100% financing for eligible borrowers (households that do not exceed 115% of the Median Household Income in eligible rural areas) purchasing homes in eligible rural areas. Automated underwriting assistance through GUS (Guaranteed Underwriting System) allows for expanded ratios and flexible credit.

We now have Single Close Construction-to-Permanent Financial & single-close loan combines the features of a
Thank you.