



National Flood
Determination Association

Testimony

Presented to
House Committee on Financial Services
Subcommittee on Housing and Community Opportunity
on the
Flood Map Modernization Initiative

by
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The NFDA is a professional association of companies which provide flood zone determinations to lenders for compliance with the mandatory purchase requirements of the NFIP. The association represents some two-thirds of the industry and has implemented a certification program containing standards for flood zone determination companies. Because the FEMA flood maps are the official documents for compliance with the NFIP, flood determination companies are probably the most frequent users of the maps. A survey of the NFDA membership revealed that it had completed approximately 33,000,000 determinations in the year 2003.

Flood maps are used to determine which properties are in or out of a Special Flood Hazard Area (SFHA) and also are used by county and community officials to plan development and to reduce future risk.

Approximately 70 percent of the flood maps are five years and older, with 57% at least 20 years old, and more than 2,200 flood prone communities remain without flood hazard maps. The current process utilized by FEMA to produce an updated map is 58 months. More than 20,000 map panels have been identified as requiring updates, meaning they have outdated or inadequate flood hazard data requiring updates through field reconnaissance, engineering analysis and floodplain mapping utilizing improved analysis methodologies. The detailed flood studies will include “approximately studied” and “unstudied” flood-prone communities. There are more than 40,000 maps with adequate flood hazard data but inadequate non-engineering data and reference features such as roads. New elevation reference marks will be developed and implemented emphasizing the use of GPS surveying technology and a network of approximately 580K benchmarks.

The NFDA has been extremely gratified that the Administration has recognized the real need to update and modernize the flood maps. The NFDA fully supports Flood Map Modernization program. We do however have some concerns about the update component.

Updating the maps, particularly in high growth areas, requires a full restudy which includes engineering, surveying, hydrology and hydraulics. It should be noted that such extensive restudy is not needed everywhere as the water flow and retention properties may not have changed much over the years. Because the updates require more time and investment, we are worried that insufficient analysis is being undertaken in order to complete action on maps more quickly. The quantitative requirements by which map modernization is judged may be moving the project away from the restudies and toward limited revisions and may

be focused on an extensive effort to digitize the existing map inventory. Many of the maps in the existing inventory require updates and maintenance. In many cases, these changes will not be made until a future date, so the “new map” will just be a digitized version of the current “outdated” flood map. This type of newly issued map, with a new date, can be very misleading. Flood determinations completed using these “new” maps will continue to generate complaints.

In 2004, FEMA issued over 40,000 Letter of Map Amendments (single address change updates) affecting thousands of properties. What this statistic does not represent is the time and money spent by property owners, lenders, community officials, and others in appealing the maps. If inaccurate maps are released, this time consuming and expensive process will increase and one of the points of map modernization is to substantially reduce the need for this. When a map is issued with a new date it invokes the life of loan process. This is a process where the flood status of a property is tracked and the lender is notified of changes to the flood hazard status of a property. If this process is invoked and the only change is an old map digitized with a new date then enormous cost is incurred by all parties. If the Letter of Map Amendment re-validation process is delayed, then homeowners may have to seek insurance coverage when in fact their property has been exempted from the mandatory purchase requirement. The following is a brief review of the life of loan process.

In 2003, the flood determination industry was tracking 97,000,000 loans for map changes. That number is obviously staggering when put in context with the map revisions expected over the next five years because in theory, all of these properties would need to be looked at a second time. When a map is revised and becomes effective, the following process is initiated with the determination companies, the lenders, and their borrowers:

1. All properties affected by the revision are pulled out of the individual databases. For example, the recent Letter of Map Revision for Sacramento, CA affected the flood insurance requirement for 50,000 houses.
2. The determination companies review every property record to determine whether the properties flood status was affected by the map revision. The determination companies have on average sixty days to review these properties. FHLMC and FNMA require institutions servicing their loan portfolios to have flood insurance in place within 120 days of the effective date of the new map.

3. Any property whose flood status changed from “In the Special Flood Hazard Area” (SFHA) to “Out of the SFHA” as well as any property whose flood status changed from “Out of the SFHA” to “In the SFHA” will generate a notice to the lender.
4. The lender then sends a letter to the borrower/homeowner notifying them of these flood hazard changes. In the above cases, the borrower/homeowner will either be required to purchase flood insurance as a condition of their loan or will be notified that flood insurance is no longer a requirement of the loan.
5. The borrower/homeowner then begins the process of purchasing flood insurance and has 45 days to secure coverage and provide proof to the lender.
6. If the borrower does not purchase flood insurance within the 45 day timeframe, then the lender will be required to purchase insurance on their behalf and charge the borrower for the cost of the insurance.

As service providers to local, regional and national lenders, as well as the independent insurance agent community, the flood zone determination companies are in a somewhat unique position of understanding the issues involved with the development and deployment of the maps and having direct communication with homeowners and lenders who are directly impacted by the release of new maps into a community.

In 2002, we organized our first ever technical mapping meeting between representatives of FEMA, NFDA, and FEMA’s mapping partners. This forum was created as a way for all parties to discuss and resolve technical mapping issues that were important to our industry. These meetings have typically occurred twice a year and many positive changes have resulted. In addition, this forum has provided an opportunity for us all to understand how we can better work together. FEMA and their mapping partners have had an opportunity to gain a better understanding of how the determination industry uses their maps and how a seemingly minor change on their part can have significant impacts to lenders and their borrowers. An example of this was the recent remapping in North Carolina. The state made a change in the paneling schema for the maps that seemed small but unfortunately, the determination industry didn’t know this occurred until the maps were released. Our industry has developed systems over time to deal with the standards set forth by FEMA but in this instance, the state deviated from this standard. The result was an enormous amount of work on the industry to accommodate this change.

This forum has also been the NFDA's opportunity to receive updated information on map modernization as well as providing the determination industry an opportunity to voice concerns about the direction of the program. At this point it is not clear whether this input has been taken into account and if it has not been, there could be serious problems for the determination industry and our lenders and their homeowners. We understand that meetings have taken place concerning some important items for our industry, i.e. the national paneling schema, but we have received no information on the outcomes. If the flood determination industry is not kept in the loop on these matters, the result could be a slow down in the closing of real estate transactions.

The result of our recent survey showed that the determination industry fielded in excess of 1.3 million calls in 2003 from homeowners and lenders discussing compliance and mapping related matters. A single revision in a community has material impact on homeowners, lenders and the flood determination providers. Maps with no change to the flood boundaries create an enormous burden for these parties. Therefore, we would recommend that FEMA contribute more time and funds toward the communication needed to smooth the impact of map modernization on the general public.

To do justice to the national investment in good flood risk maps, there may need to be some adjustment to the quantitative standards by which the program is evaluated. It may not be possible to complete the job in the originally projected five years. Based upon feedback from States which have formulated map modernization plans as partners with FEMA, the National Program Metrics which prescribes that 90% of the Nation's population will have adopted digital mapping by 2009, does not allow for the time or resources necessary to achieve the objective of providing accurate digital flood maps with updates for the entire country.

It has become clear to FEMA, industry stakeholders and state and local partners that the Map Modernization program is more complex, extensive, and costly than originally estimated. A number of the assumptions that FEMA made to produce the original cost and time estimates were shown to underestimate the scope of mapping needs, but became obvious only after the project began. For example, the need to retain the old maps for critical referencing data, and the need to address storage and accessibility requirements for these old maps within the new digitized format were not realized until the program was underway. Unfortunately, these types of unforeseen factors only become apparent after an initiative is underway and can lead to delays and cost increases.

The NFDA is concerned that all involved appear to be focused on fulfilling the program metrics rather than considering an adjustment of the time and money needed to produce accurate, digital maps based upon updated topographic, base data and updated flood studies. We would not want the new maps to be simply digital maps produced from the existing flood information. As a key stakeholder and primary user of FEMA's mapping products, the NFDA applauds FEMA's commitment to produce easier to use, easier to update digital maps. The NFDA however joins other trade organizations and individuals that compose the Flood Map Coalition in its concern that simply digitizing the existing maps does not address many of the real problems that exist with the present flood maps.

In addition, NFDA would also recommend that FEMA establish a stakeholder advisory group. It is essential that the map modernization process and product reflect the needs and requirements of map users for the reasons above. This could be modeled on the successful Technical Mapping Advisory Board established for five years as a result of the Flood Insurance Reform Act of 1994.

NFDA is concerned that Communities may not adopt newly released maps because they do not resolve their flood map problems or improve what they have currently. The homeowners (taxpayers) will be dissatisfied with spending nearly one billion taxpayer dollars for maps that fail to identify hazards and slow down or delay property transactions. Our concern is that these flood map problems may create a backlash that may occur that could impair future funding for technically correct maps.

It is important to note that as of this writing, our industry has seen no updated maps produced from the map modernization effort. We believe the first of those will be effective in September 2005. Once we receive these maps and begin to work with the new data, we will have more facts on which to base our opinions of whether map modernization is achieving its' goals. At this point, we would reserve the right to address this committee in the future about issues that may reveal themselves over the course of the next few months.