
REVISED STANDARD FLOOD HAZARD DETERMINATION FORM (MAYBE)

Taking a look at a perennial trouble spot

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There's been lots of news about the most recent legislation passed to extend and reform the National Flood Insurance Program. The NFIP was scheduled to expire on July 31, but Congress passed and the President signed the Biggert-Waters Flood Insurance Reform Act of 2012 just in time. The Act extends the NFIP authority until Sept. 30, 2017.

Even before this law was passed, FEMA announced a revised Standard Flood Hazard Determination (SFHD) form. The SFHD form is used by lenders to document the determination of whether or not a property securing a loan is located in a Special Flood Hazard Area and subject to required flood insurance. The new version of the SFHD form is almost identical to the old form. Very few changes have been made and the changes are very minor.

You really have to compare both forms closely to spot the changes. But you won't want to miss them.

Website links updated

Of course, there have been updates made to some of the website links on the new form. The website link to the form itself on the FEMA website is changed, and the links to FEMA's Community Status Book (which lists the communities that are participating in the NFIP and whether they are participating in the regular or emergency programs) and information about Coastal Barrier Resources System have been updated.

Additional warning notice

Since even the Federal government cannot totally predict the weather, an additional warning statement has been added to the form in the Determination section when the determination is made that the property is NOT located in a Special Flood Hazard Area.

The statement warns:

"Please note, the risk of flooding in this area is only reduced, not removed."

Collateral description

The collateral description section of the form asks for a Parcel number as well as an address of the property. The revised instructions also suggest the use of longitude and latitude or any other identifiers of the property that will help describe the property location.

LOMAs and LOMRs

The section of the form that lists the map and flood zone identification information has a space to identify whether a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR) has been issued by FEMA since the current map effective date which revises the flood hazard determination for the property.

The new form only requires the LOMA or LOMR number to be listed, if applicable. If no LOMA or LOMR applies, the box is left blank.

The YES check box has been eliminated.

Elimination of manners

Possibly as in an attempt to save ink, the new form eliminates the word PLEASE from the instructions on the back of the form.

Or, maybe the word "please" conveys the wrong message. After all, this a required form imposed by the federal government on lenders.

Implementation: Three-year window

When the revised form first came out, the instructions were that the new form had to be used within six months, or basically by the end of the 2012. Until then, either form could be used and vendors have the transition period to update their systems to accommodate the new form.

The latest communication on FEMA's website provides that the new form is not required until May 30, 2015.

The agency is allowing users a three-year transition period for converting to the new form. The previous form may be used until that time. Lenders may see either version of the form from their determination vendors during this transition period. Both forms are still available on FEMA's website.

My guess is that FEMA decided to extend the transition period for the revised form because there is likely to be additional changes to the form now that the flood insurance reform law has been passed.

Vendors may decide to wait and see if more changes are coming before they adjust their systems for producing the form.

Keep checking the FEMA website for possible changes to the form and implementation schedules.

About Nancy Derr-Castiglione

“Lucy and Nancy’s Common Sense Compliance” is blogged by both Lucy Griffin and Nancy Derr-Castiglione, both ABA Banking Journal contributing editors on compliance.

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