

The Housing Scene

Flood insurance is a bargain

This could be the year Congress makes some major changes to the National Flood Insurance Program (NFIP). Or not.

It's too early in the current legislative session to tell what, if anything, lawmakers might do. But before time ran out last year, the House had approved a measure that would have phased out subsidized coverage on properties that have suffered repeated losses, as well as non-residential properties.

The full Senate failed to act last year, largely because some members also wanted owners of second homes and vacation properties to pay full actuarial rates because of the drain they place on the NFIP. Congress created the NFIP in the late 1960s to make sure owners could purchase coverage at a reasonable rate.

Get-tough bill

The Senate Banking Committee's get-tough bill would have phased out below-market rates for non-primary residences, severe repetitive loss properties, business properties and any property that has sustained damage exceeding its fair-market value. But the measure never reached the Senate floor.

No bills have been introduced yet this year, but "there's been lots of discussion," according to Russell Riggs, who lobbies on environmental issues on behalf of the powerful National Association of Realtors (NAR). Even a few "discussion" drafts of possible legislation have been circulated around Capitol Hill, Riggs reports.

But even if Congress decides to raise rates on second homeowners and those who refuse to take the steps necessary to protect their properties against

repeat losses, flood insurance will remain one of the great bargains of our time.

According to estimates at www.floodsmart.gov, on a \$100,000 house without a basement and \$40,000 worth of furnishings and other contents, coverage would cost roughly \$233 a year. With a basement, the premium would be about \$263.

On a \$200,000 house built on a slab or over a crawl space with \$80,000 worth of contents, the premium would be about \$296. With a basement, the charge would be \$331.

Of course, the premium can be much higher, depending on the value of your property and its location. Coverage in low- and even moderate-risk areas can be as low as \$39 for the structure and about \$100 for the building and its contents.

No coverage for damage

Why the need for a separate policy? Because a regular homeowner's policy does not cover flood damage. But it is available through most private insurers and agents from the federal government.

By law, flood insurance is required on all houses in special flood-hazard areas where Uncle Sam touches the mortgage in one way or another.

In other words, to obtain a loan backed by the federal government, made by a federally insured lending institution or purchased by Fannie Mae and Freddie Mac, the two government-sponsored enterprises that bring liquidity to housing finance, you must have coverage.

But even if your house is located outside zones considered most prone to flooding, and even if coverage isn't required because your loan amount exceeds government limits, you should think long and hard about purchasing a flood-insurance policy.

Just two inches of water on the floor of a 900-square-foot ranch house can result in

\$7,800 worth of damage. And a car can be carried away in just 2 feet of water.

For another, flooding is the country's most expensive and common natural disaster. Losses over the 10-year period between 1996 and 2005 averaged \$2.4 billion a year.

You need coverage

Don't be fooled into thinking you don't need coverage because your property isn't located in a coastal floodplain or an area prone to tropical storms. Floods occur in all 50 states, and flash floods sometimes occur in areas that rarely see any rain at all.

And consider this: According to the Federal Emergency Management Agency (FEMA), almost 25 percent of all flood-insurance claims stem from properties in low- to moderate-risk areas. Moreover, the average claim tends to be higher outside a flood zone.

Finally, for those who would never consider going without fire insurance but have never thought twice about flood coverage, FEMA says your chances of being hit by a flood over the course of a 30-year mortgage are three times that of experiencing a fire.

No matter where you live, you can purchase flood insurance as long as your community participates in the national insurance program. Currently, 20,000 of the nation's 22,000 towns, cities, counties and boroughs are members.

Homeowners can obtain up to \$250,000 in coverage for their homes, plus up to \$100,000 in coverage for their contents. But last year, the House voted to raise those limits to \$335,000 and \$135,000, respectively.



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