

Regional Office  
155 Van Gordon  
Box 25126  
Denver, CO 80225

Department of  
Veterans Affairs

# Information Bulletin

January 9, 2003

Loan Guaranty Letter 03-01  
264-1

SUBJ: New Flood Insurance Requirements

## PURPOSE

The purpose of this letter is to announce the new flood insurance requirements.

## BACKGROUND

The authority of the National Flood Insurance Program (NFIP) to issue new policies expired on December 31, 2002. When Congress reconvenes in January, it is expected that they will reauthorize the NFIP retroactive to January 1, 2003. However, in the interim, there will be some period during which only privately issued flood insurance policies will be available.

## WHAT ARE THE NEW REQUIREMENTS?

If a property being purchased by a veteran with a VA loan is located in a Special Flood Hazard Area, VA staff appraisers and Lender Appraisal Processing Program (LAPP) Staff Appraisal Reviewers (SARs) will continue to require flood insurance as a condition of the Notice of Value (NOV). If a loan is closed during the time after January 1, 2003 and prior to the reauthorization of the NFIP, the following instructions must be followed:

1. The premium for flood insurance must be collected at loan closing and submitted with an application for flood insurance to NFIP where it will be held until the issuance of policies is reauthorized by Congress; or private flood insurance must be obtained.
2. The veteran must sign the following statement:

“ I am aware that the property I am purchasing is located in a Special Flood Hazard Area and flood insurance is required. I am also aware that flood insurance that is normally available through the National Flood Insurance Program is temporarily not available, but is expected to be reauthorized retroactive to January 1, 2003. However, I acknowledge that flood insurance could possibly not be reauthorized or not be made retroactive. This means that the property I am purchasing could experience uninsured flood damage. Should this occur, I understand that repair of such damage will be solely my responsibility. I have elected to proceed with the closing of my VA loan in full knowledge that such a possibility exists and with the understanding that my lender may require that I obtain a privately issued flood insurance policy in the event that the National Flood Insurance Program is not reauthorized. I have been made aware that the cost of such an insurance policy is \$\_\_\_\_\_ and I am prepared to pay that amount.”

3. The lender must submit the following certification when requesting guaranty:

“This loan, (loan number), is secured by a property located in Special Flood Hazard Area and requires flood insurance to be eligible for guaranty by VA. Funds have been collected and forwarded to the National Flood Insurance Program to pay the premium for a policy expected to be reauthorized retroactive to January 1, 2003. Should that program not be reauthorized or not be made retroactive, any loss prior to the effective date of subsequently purchased flood insurance, either through NFIP or a private policy, would be uninsured. VA would not consider the loan eligible for guaranty if such a loss occurs.”

#### **IF YOU HAVE QUESTIONS**

If you have any questions or need additional information please contact our Loan Processing Section. Their toll-free number is 1-888-349-7541.

VLINDA A. CHILDS  
Loan Guaranty Officer

Distribution:  
Program Participants