

its successor agency under Public Law 103-354 Instruction 2024-A, pay the amount of the premium for a period of one year. The amount of the premium will be charged to the borrower's loan account as a recoverable cost item.

(3) If a property insurance mortgage clause other than Form FmHA or its successor agency under Public Law 103-354 426-2 is used in connection with the policy and the insurance company or broker refuses to accept payment from the FmHA or its successor agency under Public Law 103-354 in this manner to reinstate or continue the policy, the County Supervisor will attempt to obtain an acceptable insurance policy from another insurance company or broker in accordance with the provisions of paragraph (a) of this section.

(7 U.S.C. 1989; 42 U.S.C. 1480; 42 U.S.C. 2942; 5 U.S.C. 301; Sec. 10 Pub. L. 93-357, 88 Stat. 392; delegation of authority by the Secretary of Agriculture, 7 CFR 2.23; delegation of authority by the Assistant Secretary for Rural Development, 7 CFR 2.70; delegation of authority by Director OEO 29 FR 14764, 33 FR 9850)

[41 FR 34571, Aug. 16, 1976, as amended at 42 FR 33263, June 30, 1977; 43 FR 34430, Aug. 4, 1978; 50 FR 39638, Sept. 30, 1985; 56 FR 6945, Feb. 21, 1991; 57 FR 36590, Aug. 14, 1992]

EFFECTIVE DATE NOTE: At 67 FR 78236, Dec. 24, 2002, §1806.6 was amended in the introductory text by revising the words “§1951.310 of subpart G of part 1951 of this chapter” to read “7 CFR part 3550” effective January 23, 2003.

EXHIBIT A TO SUBPART A OF PART 1806—  
ESCROW AGREEMENT REAL PROPERTY INSURANCE

Date \_\_\_\_\_  
(Name of bank) \_\_\_\_\_  
(City or town) \_\_\_\_\_  
(State) \_\_\_\_\_

Gentlemen: Attached is Draft No. \_\_\_\_\_, for \$ \_\_\_\_\_, issued by the \_\_\_\_\_ Insurance Company in payment of \_\_\_\_\_ loss which damage the buildings on the farm of \_\_\_\_\_, of \_\_\_\_\_ County, State of \_\_\_\_\_.

This draft has been endorsed by the undersigned payees who request that you collect these funds and issue cashier's checks to the following payees for the following amounts:

\_\_\_\_\_, First Mortgage \$ \_\_\_\_\_  
\_\_\_\_\_, Second Mortgage \$ \_\_\_\_\_  
\_\_\_\_\_, Third Mortgage \$ \_\_\_\_\_

The balance only, if any, will be paid to \_\_\_\_\_, the owner of the property.

\_\_\_\_\_  
First Mortgagee \_\_\_\_\_  
\_\_\_\_\_  
Second Mortgagee \_\_\_\_\_  
\_\_\_\_\_  
Third Mortgagee \_\_\_\_\_  
\_\_\_\_\_  
Owner \_\_\_\_\_

**Subpart B—National Flood Insurance**

AUTHORITY: 7 U.S.C. 1989; 42 U.S.C. 1480; 40 U.S.C. 442; 42 U.S.C. 2942; 5 U.S.C. 301; delegation of authority by the Sec. of Agri., 38 FR 14944 (7 CFR 2.23); delegation of authority by the Asst. Sec. for Rural Development, 38 FR 14944, 14952 (7 CFR 2.70).

SOURCE: 39 FR 17093, May 13, 1974, unless otherwise noted.

**§ 1806.21 General.**

(a) *Authority.* This subpart prescribes the policies and procedures to be followed in implementing the National Flood Insurance Act of 1968 as amended by the Flood Disaster Protection Act of 1973. The provisions of these Acts are applicable to Farmers Home Administration (FmHA) or its successor agency under Public Law 103-354 authorities permitting financing of buildings of any type now located in or to be located in special flood or mudslide prone areas as designated by the Federal Insurance Administration (FIA) of the Department of Housing and Urban Development (HUD), and any machinery, equipment, fixtures and furnishings contained or to be contained therein.

(b) *Background.* The Congress has found that annual losses throughout the nation caused by floods and mudslides are increasing at an alarming rate, largely as a result of the accelerated development and concentration of populations in areas subject to floods and mudslides. The availability of Federal funds in the form of loans, grants, guarantees, insurance and other forms of financial assistance are often determining factors in the utilization of land and the location and construction of industrial, commercial and residential facilities.

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(c) *Scope.* The National Flood Insurance Program (the program) was authorized and created because the private insurance industry has been unable to provide insurance coverage at reasonable prices for such natural disasters as floods and mudslides. Subsidized and affordable insurance has been made available under the Act through an agreement between the Federal Insurance Administration and the National Flood Insurers Association.

**§ 1806.22 Areas of responsibility.**

(a) *Federal Insurance Administration (FIA).* (1) Identify and publish information with respect to all areas in the country which are subject to floods and mudslides and designate those areas on Flood Hazard Boundary maps.

(2) Notify affected communities of their designations and encourage them to adopt and enforce land use and other control measures and to adopt ordinances or laws which will regulate and control construction in areas designated as having special flood or mudslide hazards.

(3) Make flood insurance available at reasonable rates in sufficient amounts, within the statutory limits, to adequately protect owners against loss to their buildings and contents when those buildings are located in or will be located in designated special flood and mudslide prone areas in communities participating in the National Flood Insurance Program.

(b) *Farmers Home Administration or its successor agency under Public Law 103-354.* The State Director, after being notified by the FmHA or its successor agency under Public Law 103-354 National Office or FIA of designated flood or mudslide hazard areas and receiving flood hazard boundary maps identifying the hazard areas, FIA insurance rate charts, or other information concerning the program, will inform the appropriate County Supervisors and provide them the maps, rate charts, and other relevant information concerning the program in areas they serve. Permanent records indicating the date a community was notified as containing identified flood hazard areas, communities participating in the program, and communities eligible

to participate but not participating in the program will be maintained in the State Office. County Supervisors will notify, in writing, those borrowers whose insurable buildings are located in designated flood or mudslide hazard areas of the availability of national flood insurance and encourage them to obtain flood insurance to protect their and the Government's financial interest.

(c) *Community.* Communities are required to participate in the National Flood Insurance Program within 1 year after notification of its formal identification as a community containing one or more special flood and mudslide prone areas, or by July 1, 1975, whichever is later, or be denied Federal financial assistance or Federally-related financial assistance for acquisition or construction purposes in such areas. Communities wishing to qualify for the program may submit a completed application to: Administrator, Federal Insurance Administration, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC 20410.

(d) *Lender.* The lender must determine whether real property is located in an area identified as having special flood or mudslide hazards and cannot discharge the responsibility merely by obtaining a self-certification from the applicant that the property is not located in an area having special flood hazards.

**§ 1806.23 Definitions.**

For the purpose of this subpart, the following definitions apply:

(a) *Financial assistance* means any form of direct, insured or guaranteed loan, including reamortization and assumption on new terms of any loan, any form of grant, or other form of direct or indirect assistance extended by the FmHA or its successor agency under Public Law 103-354.

(b) *Financial assistance for acquisition or construction purposes* means any form of Federal financial assistance which is intended in whole or in part for the acquisition, construction, reconstruction, or substantial improvement of any