

094084



# REPORT TO THE CONGRESS

## Actions Needed To Provide Greater Insurance Protection To Flood-Prone Communities B-178737

Federal Insurance Administration  
Department of Housing and  
Urban Development

B-178737

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

~~711006~~

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FILE COPY - COMP. GEN.

JULY 19, 1973



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B-178737

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To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on actions needed to provide greater insurance protection to flood-prone communities. The Federal Insurance Administration, Department of Housing and Urban Development, handles the Federal activities covered by this report.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and the Secretary of Housing and Urban Development.

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General  
of the United States

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### ABBREVIATIONS

FIA	Federal Insurance Administration
GAO	General Accounting Office
HUD	Department of Housing and Urban Development

D I G E S T

WHY THE REVIEW WAS MADE

A National Flood Insurance Program was established in December 1968 to compensate people suffering loss of property because of floods. Federal assistance was required because the private property insurance companies could not, generally, provide flood insurance at prices people could pay.

GAO made this review to find out whether the new program is meeting its two basic objectives

- To provide property owners with flood insurance
- To encourage flood-prone communities to adopt land use and control measures designed to reduce flood damage to property

Basic information

The National Flood Insurance Program is administered by the Federal Insurance Administration (FIA) in the Department of Housing and Urban Development (HUD)

Floods in this country have caused property losses of nearly \$5 billion in the past 5 years as well as hundreds of deaths

FINDINGS AND CONCLUSIONS

Much more needs to be done if the

program is to fully meet its objectives

- Only 33 percent of identified flood-prone communities have participated in the program
- About 71 percent of these communities could not obtain the insurance benefits available under the regular program
- About 60 percent of land use and control measures submitted by communities had not been reviewed by FIA through January 1973
- An adequate system for monitoring communities' enforcement of these measures had not been established

Promoting the flood insurance program

FIA has had moderate success in promoting the program. Of the 5,200 communities estimated by the Corps of Engineers to be subject to flooding, about 1,700, or 33 percent, were in the program at March 1973, about 200,000 policies were in force, having a face value of \$3.4 billion.

Many other communities were not aware of the program because FIA did not directly contact them and explain its benefits.

On the basis of responses to questionnaires sent to a statistical

sample of these communities, GAO estimated that

--1,015, or 29 percent, of the 3,500 communities not participating had not heard of the program and

--36 percent of these 1,015 communities would be interested in joining

Many of the communities had suffered flood losses repeatedly in recent years

FIA should promote the program by directly contacting communities not participating, instead of relying largely on publicity, so that all people residing or doing business in flood-prone areas have the same opportunities to participate (See pp 9 and 10 )

Providing maximum insurance benefits

Normally communities are first placed in an emergency program where minimum coverage is available almost immediately

Eligibility for the regular program, offering more extensive coverage, is granted after flood plain studies are made to establish the community's flood risk and the basis for actuarial rates

GAO found that 1,200 of the 1,700 participating communities, or 71 percent, could not obtain maximum benefits under the regular program because FIA had not made the required studies

Pending completion of the studies, the 1,200 communities were placed in the emergency program As a result

--Minimum coverage was available to property owners

--No insurance was available on new construction

FIA relies on other agencies, such as the Corps, to make the studies, but these agencies could not handle the workload because of staffing limitations

The Corps, primary contractor for performing flood plain studies for FIA, said that, because its staff is limited, it plans to contract out to private engineering firms about 40 percent of the work to be performed for FIA in fiscal year 1974

FIA had arranged, as of March 1973, for studies for 422 of the 1,200 communities in the emergency program Its officials estimated it would take at least 3 years to overcome the backlog for the remaining 778 communities, given the present pace of processing studies

GAO found that private engineering firms have the capacity to assist FIA in speeding the completion of the flood plain studies FIA and the Corps identified about 90 private engineering firms competent to perform the studies If more use is made of these firms, FIA should be able to reduce its backlog substantially (See pp 11 to 13 )

Reducing flood hazards

Sound land use and control measures are an essential line of defense against flood losses FIA's review and monitoring of these measures need to be improved if the program is to meet its objectives satisfactorily

FIA review and approval of communities' land use and control measures has not been timely At January 1973 about 60 percent of the 396

measures submitted had not been reviewed. Of the 156 that have been reviewed, FIA had approved only 26

Most communities having deficient measures had not been informed of what they must do to meet FIA standards. Some of the communities which had not been so advised were permitting new construction in flood-prone areas, contrary to FIA standards. After appropriate notification, these communities are subject to suspension from the program for such violations.

FIA has not established a program to monitor community implementation of the measures. Consequently, it has little assurance that the communities enforce them. (See pp 14 and 15 )

#### RECOMMENDATIONS

The Secretary of HUD should have the FIA Administrator

- Send literature to governing officials of communities not participating, describing program benefits and eligibility requirements, and determine whether they want to participate. (See p 10 )
- Use private engineering firms to make flood plain studies to the extent that funds are available and Federal agencies cannot make them on a timely basis. (See p 13 )
- Review communities' land use and control measures. (See pp 15 and 16 )
- Notify communities having deficient measures of what they must

do to remain eligible for the program. (See p 16)

- Establish a monitoring program providing for periodic determinations of communities' continued eligibility in the program based on their compliance with FIA land use and control standards. (See p 16 )

#### AGENCY COMMENTS AND UNRESOLVED ISSUES

The Administrator, FIA, agreed with GAO's findings and recommendations, stating that

- A more logical approach in promoting the program would be to directly contact communities not participating. (See p 10 )
  - FIA must rely more on private engineering firms to make flood plain studies because of the volume of work, however, FIA needs to develop a good set of guidelines setting forth the work to be done. (See p 13 )
  - FIA must speed up its reviews of communities' land use and control measures and make onsite visits to insure that communities comply with FIA standards. (See p 15 )
  - Lack of staff has prevented FIA from making improvements in the above areas.
- FIA's budget justification for fiscal year 1974 provides for 22 additional employees for the program. Approval of these positions should permit FIA to deal with the problems GAO identified. (See p 10 )

MATTERS FOR CONSIDERATION  
BY THE CONGRESS

This report contains no recommendations requiring congressional action. It does inform the Congress how FIA could improve the National

Flood Insurance Program to make it more responsive to the Nation's flood problems. In addition, this report may assist the Congress in evaluating numerous bills pending before the Senate and House of Representatives dealing with flood insurance. (See p 6)

## CHAPTER 1

### INTRODUCTION

During the past 5 years floods in the United States have caused property losses of \$4 8 billion as well as hundreds of deaths

Property owners, the property insurance industry, the Congress, and a number of Federal and State agencies have long been concerned with the need for economically sound and affordable flood insurance

The property insurance industry could not generally provide affordable insurance--at least during the early years of such a program--without Government assistance, because of

- A lack of necessary data on which to compute premiums
- The unpredictable, concentrated, and catastrophic nature of flood losses
- The overwhelming probability that the high cost of flood insurance in areas most likely to sustain damage would lead to an insufficient spread of this risk

In 1965 Hurricane Betsy highlighted the need for a Federal program of financial assistance for those suffering property losses in flood and other natural disasters. As a result, the Congress, in the Southeast Hurricane Disaster Relief Act of 1965 (79 Stat 1301), directed the Secretary of Housing and Urban Development to study the feasibility of alternative methods for providing Federal disaster insurance. The Secretary reported to the President that a flood insurance program was feasible. The National Flood Insurance Act of 1968 (42 U S C 4001) authorized the resulting program.

### NATIONAL FLOOD INSURANCE PROGRAM

The Federal Insurance Administration (FIA), Department of Housing and Urban Development (HUD), was created in December 1968 to administer the program. This program is a cooperative effort between FIA and about 100 private



insurance companies which sell and service flood insurance policies nationwide Through June 30, 1972, net Federal funds of about \$18 million had been expended to operate the program

The program provides two basic lines of defense against flood losses First, it allows property owners in designated flood-prone areas to buy flood insurance Second, to obtain insurance, communities must adopt and enforce land use and control measures to reduce the probability and severity of flood damage

#### PROGRAM OPERATION

Property owners may purchase insurance from any property and casualty insurance agent or broker licensed to do business within their States Policies are available, however, only in communities or areas which FIA has designated eligible To be eligible, a community must apply for designation as an eligible area and must adopt and enforce land use and control measures which meet FIA standards

Normally these communities are first placed in an emergency program where minimum coverage is available almost immediately More extensive coverage comes later under the regular program Eligibility for the regular program is granted after flood plain studies are made to establish the basis for actuarial rates These benefits are discussed on page 11

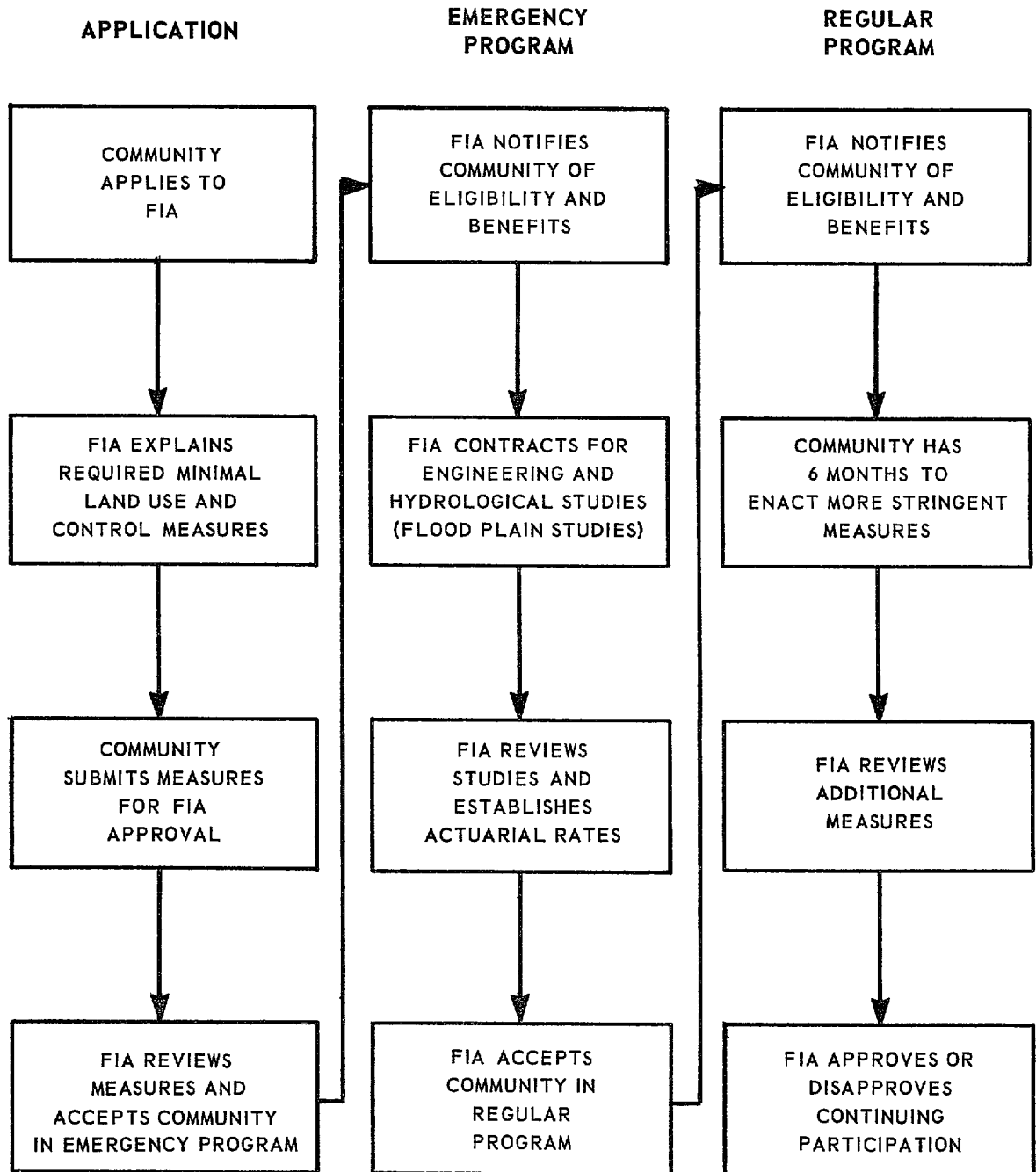
The normal sequence of events leading to maximum coverage is shown on the next page

#### PROPOSED LEGISLATION

During the 93d Congress, 1st session, numerous bills were introduced in both the Senate and the House of Representatives to amend the National Flood Insurance Act of 1968 These bills would, among other things

- Establish a National Disaster Insurance Fund
- Provide protection against losses from earthquakes and landslides
- Extend coverage under the National Flood Insurance Program and require known flood-prone communities to participate

**EVENTS LEADING TO MAXIMUM  
COVERAGE UNDER THE NATIONAL FLOOD  
INSURANCE PROGRAM**



--Require flood insurance for federally insured or guaranteed mortgages

AGENCY COMMENTS

We requested written comments from HUD on a draft of this report on April 18, 1973, and received a reply from the Federal Insurance Administrator on July 9, 1973. His letter included as an appendix

## CHAPTER 2

### PROMOTING THE FLOOD INSURANCE PROGRAM

FIA has had moderate success in promoting the program. During its 4 years of operation, the program has attracted 1,700, or 33 percent, of U S flood-prone communities, they had about 200,000 policies with a total face value of about \$3.4 billion in March 1973.

### PARTICIPATION IN THE PROGRAM

The Corps of Engineers in 1967 estimated that about 5,200 communities close to rivers, streams, oceans, bays, or lakes are subject to flooding. At January 1973 FIA estimated that about 6 million people live or work in such areas. Historically these people have shouldered the brunt of economic losses caused by floods even though the Government has provided some aid.

The program is a more positive step to alleviate the plight of the flood victim. For the first time, the potential victim can insure his property at affordable rates.

### PROMOTING THE PROGRAM

Many flood-prone communities were unaware of the program because FIA did not directly contact them and explain program benefits. Instead, it has relied on such publicity as press releases and television and radio spot announcements to inform the general public about the program. These media had not been very effective, as evidenced by the responses to questionnaires we sent to a statistical sample composed of 300 of the 3,500 nonparticipating flood-prone communities. We received responses from 240, or 80 percent, of the communities. On the basis of the responses, we estimated that

--1,015, or 29 percent, of the 3,500 nonparticipating communities, nationwide, were not aware of the program.

--36 percent of the 1,015 communities would be interested in joining.

Of those communities responding, 109 have suffered flood losses, as described below

<u>Frequency of flooding</u>	<u>Estimated flood damage</u>		
	<u>Homes</u>	<u>Businesses</u>	<u>Amount</u>
More than once a year	2,777	122	\$1,189,000
Once a year	844	85	318,500
Once every 5 years	<u>1,364</u>	<u>171</u>	<u>655,500</u>
Total	<u>4,985</u>	<u>378</u>	<u>\$2,163,000</u>

The FIA Administrator agreed that a more logical approach, such as contacting nonparticipating communities directly, might be the answer. But he said this type of promotion was time consuming and his limited resources had not permitted this.

With regard to limited staffing resources, FIA's fiscal year 1974 budget justification requests 22 additional employees for the program. They would review land-use measures, oversee the identification and mapping of flood-prone areas, prepare and disseminate flood insurance material, including insurance rate maps, and establish criteria, standards, and methods for identifying flood hazard areas and determining differential flood risks.

RECOMMENDATION TO THE SECRETARY  
OF HOUSING AND URBAN DEVELOPMENT

We recommend that the Secretary have the FIA Administrator send literature to governing officials of nonparticipating communities describing program benefits and eligibility requirements and determine whether they want to participate.

### CHAPTER 3

#### PROVIDING MAXIMUM INSURANCE BENEFITS

About 71 percent of the participating communities could not obtain maximum program benefits because of the large backlog of uncompleted flood plain studies. These studies are a prerequisite to entry into the regular insurance program.

#### PROGRAM BENEFITS

Communities applying for flood insurance normally are placed in the emergency program until they are declared eligible for the regular program. The emergency program offers minimum coverage immediately to all flood-prone communities until FIA establishes actuarial rates through flood plain studies.

As of March 1973 maximum benefits were available to 500 communities--about 29 percent of the 1,700 participating communities. The remaining communities could not obtain maximum coverage because the required flood plain studies had not been made.

The differences in coverage under the emergency and regular programs are as follows:

<u>Types of coverage</u>	<u>Maximum coverage available</u>			
	<u>Existing buildings</u>		<u>New construction</u>	
	<u>Emergency program</u>	<u>Regular program</u>	<u>Emergency program</u>	<u>Regular program</u>
Residential property	\$17,500	\$35,000	None	\$35,000
Nonresidential property (note a)	30,000	60,000	None	60,000
Contents	5,000	10,000	None	10,000

<sup>a</sup>Includes multifamily residential properties

## FLOOD PLAIN STUDIES

Flood plain studies are made to

- determine the community's flood risk and
- establish the basis for setting actuarial rates

Only after completion of these studies can communities obtain full benefits under the program.

At March 1973 FIA had arranged for flood plain studies for 422 of the 1,200 communities in the emergency program. FIA officials estimated it would take at least 3 years to overcome the backlog of studies for the remaining 778 communities, given the present pace of processing the studies. This backlog represents 65 percent of the communities in the emergency program. FIA relies on other Government agencies, such as the Corps and the Soil Conservation Service, Department of Agriculture, to make these studies. FIA stated that these agencies lacked the resources to overcome the backlog problem.

The Corps, the primary contractor for performing flood plain studies for FIA, advised us that, because of its limited staff, it plans to contract out to private engineering firms about 40 percent of the work to be performed for FIA in fiscal year 1974.

FIA records show that, for fiscal year 1973, about \$9 million was available for flood plain studies, of which \$8.1 million had been obligated at April 30, 1973, and that, for fiscal year 1974, FIA has requested an \$18.3 million appropriation for these studies. FIA records show, however, that, of 301 studies contracted for in fiscal years 1972 and 1973 with other Federal agencies, 139 have exceeded their completion dates for periods ranging from 1 to 15 months. The delays in completing studies and the backlog of studies that have not been started have prevented many communities from obtaining the maximum program benefits.

FIA and the Corps have identified about 90 private engineering firms qualified to make the studies. However, FIA had made little use of these firms as of March 1973. For example, 10 are in the area served by the Corps' Boston

Division, one of FIA's major contractors There was a backlog of 43 studies in the Boston area at the end of 1972 Corps officials said that this backlog could be substantially reduced within a year if private firms were used and that working alone the Corps would need several years to complete the studies.

We suggested to the FIA Administrator that private engineering firms be used to reduce the backlog and allow for quicker and widespread admittance of communities into the regular program. The Administrator agreed that FIA must rely more on such firms to do the studies because of the volume of work. However, before contracting with them for additional studies, he wants a good set of guidelines to delineate the work to be done Further, he stated that FIA needs to increase its staff to monitor the firms' efforts We agree it is appropriate to develop such guidelines before contracting with these firms for the studies

RECOMMENDATION TO THE SECRETARY  
OF HOUSING AND URBAN DEVELOPMENT

We recommend that the Secretary have the FIA Administrator use private engineering firms to make flood plain studies to the extent that funds are available and Federal agencies cannot make them on a timely basis.



## CHAPTER 4

### REDUCING FLOOD HAZARDS

Sound land use and control measures are an essential line of defense against flood losses. FIA must improve the review and monitoring of these measures if the program is to better achieve its objectives.

#### LAND USE AND CONTROL MEASURES

Such measures are an integral part of the program. Once a community comes into the regular program, it has 6 months to establish stringent measures which

- restrict development of land exposed to severe floods,
- guide new construction away from flood-prone areas,
- reduce flood damage, and
- improve long-range land management and use of these areas

FIA procedures provide that a community be suspended from the program, after appropriate notification, if it fails to adopt the required measures within 10 months after being accepted into the regular program.

FIA standards require that these measures include certain zoning ordinances, building codes, and health regulations. Since development of high-flood-risk areas is to be discouraged, FIA should review and closely monitor these land use and control measures.

#### Reviewing and monitoring these measures

FIA has not been timely in reviewing and approving measures adopted by communities. As of January 1973, 396 communities had submitted their measures. The status of FIA's review and approval of these measures is as follows:

Reviewed		156
Approved	26	
Rejected (communities suspended)	31	
Found deficient	99	
Not reviewed		<u>240</u>
 Total		 <u>396</u>

For the 99 measures found deficient, FIA had not advised 70 communities to revise their measures. Some of the communities which had not been so advised were permitting new construction in designated flood-prone areas. This is contrary to FIA's standard which requires that proposed construction be guided away from areas subject to flood hazards.

FIA does not have a monitoring program to determine whether communities are effectively enforcing their land use and control measures. It relies on the communities to be their own watchdogs.

Regarding reviews of measures, the Administrator stated

- FIA had two choices--to perform a limited number of detailed reviews or make many quick cursory reviews
- FIA decided to perform detailed reviews so that it would have a sound basis to enforce measures
- FIA must now speed up the processing of these reviews and make onsite staff visits to insure communities' compliance with FIA standards.
- Lack of staff had prevented FIA from making timely reviews and monitoring the program.

As discussed on page 10, FIA's fiscal year 1974 budget justification requests 22 additional employees for the program.

RECOMMENDATIONS TO THE SECRETARY OF  
HOUSING AND URBAN DEVELOPMENT

We recommend that, to effectively promote sound land use and control measures and to reduce flood hazards, the Secretary have the FIA Administrator

- Review communities' land use and control measures
- Notify communities having deficient measures of what they must do to remain eligible for the program
- Establish a monitoring program which provides for determinations of communities' continued eligibility in the program based on their compliance with FIA land use and control standards

## CHAPTER 5

### SCOPE OF REVIEW

Our review covered the period from the program's inception through March 1973.

Our review included

- examining pertinent policies, procedures, studies, and reports and reviewing the program's legislative history,
- interviewing Federal and State officials responsible for implementing the program,
- visiting 18 communities--eight in Ohio, seven in Virginia, and three in Michigan where we asked local officials, insurance agents, and residents about their communities' participation in the program, and
- sending questionnaires to a statistical sample composed of 300 of the 3,500 nonparticipating flood-prone communities.

PRINCIPAL OFFICIALS OF  
 THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
 AND THE FEDERAL INSURANCE ADMINISTRATION  
 RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES  
 DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF HOUSING AND URBAN DEVELOPMENT		
James I. Lynn	Feb. 1973	Present
George W. Romney	Jan 1969	Jan 1973
ADMINISTRATOR, FEDERAL INSURANCE ADMINISTRATION		
George K Bernstein	May 1969	Present



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL INSURANCE ADMINISTRATION  
WASHINGTON D C 20410

JUL 2 1973

IN REPLY REFER TO

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Mr B E Birkle  
Associate Director  
United States General Accounting Office  
Washington, D C 20548

Dear Mr Birkle

This is in reply to your letter of April 18, 1973, to Secretary Lynn transmitting copies of the Comptroller General's proposed report to Congress entitled "Opportunity to Provide Greater Flood Insurance Protection to the Nation" and requesting our comments

In general, we believe the draft report shows an understanding of the National Flood Insurance Program and some of the principal difficulties that have to be faced in the administration of the program. The specific recommendations reflect an appreciation of the ultimate goals and objectives of the flood insurance program and bring into sharper focus some of the problems that we have faced in attempting to carry out the intent of Congress

Unfortunately the tone of this report distorts the accomplishments of this new program which started from scratch and had to reverse the tendency of most local communities to expect to have their cake and eat it too -- they wanted Federal aid but also carte blanche in irresponsibly building in flood plains. I personally dispute any poll which shows widespread ignorance of the flood insurance program on the part of local officials. I believe most of those in flood prone areas know of this program by reason of our efforts to publicize the program or through the efforts of the State coordinating body. Most of these officials will either not admit such knowledge, or openly reject the program, because they choose not to deal with a non-giveaway Federal program that enforces standards of sound flood plain land use. That is why the flood insurance program will never be a full success on a purely voluntary basis and why the Flood Disaster Protection Act of 1973 is essential to securing broad coverage, adequate insurance protection, and better use of our flood plains

Specifically, the report draws attention to the difficulties of carrying out a complex program involving large numbers of communities in a manner that both meets the demands of conscientious administration of the laws passed by Congress and the desirability of performing Government services with the fewest number of employees and least cost to the taxpayer

Despite this major problem of program administration, we believe remarkable advances have been made and suggest that the Report give proper emphasis to these accomplishments over the very short period of three years and with a severely limited workforce

The first two communities were made eligible for flood insurance protection in June 1969, today there are 2,156 and additional communities are applying for eligibility at the rate of 130 each month. Six flood insurance policies were in effect at the end of June 1969, there are over 200,000 such policies in effect today, in the face amount of almost \$4 billion. Congress, in recent days, has recognized the importance of uninterrupted continuation of the flood insurance program by enacting a further increase in the overall limitation on insurance in force from \$4 billion to \$6 billion

I believe it a fair statement that accomplishments of this order of magnitude are rare. I know that these results could not have been accomplished without a continuous process of innovation, short-cutting where program administration would permit, and long hours of work by an exceptionally devoted and very competent staff

With regard to the specific suggestion and recommendation of the draft report, I have the following comments

1 Contact non-participating communities We agree that a greater effort to make all communities aware of the existence and benefits of the National Flood Insurance Program is necessary. I attach to this letter a copy of a summary of our promotional efforts which was presented to the Housing Subcommittee of the House Banking and Currency Committee on May 8, 1973. We will initiate a campaign to contact each community that appeared on the Corps of Engineers 1967 list of flood-prone areas, as rapidly as staffing considerations will permit. On April 6, 1973, a well-attended public meeting was conducted in Washington, D. C. to acquaint State and community representatives, insurance-industry organizations, the press and the public with the benefits of the flood insurance program. We have intensified our work with the State coordinating bodies appointed at our request by each State Governor, and through which we have achieved a considerable--if indirect--promotional effort.

In recognition of the unusual high-water conditions on the shores of the Great Lakes, for example, a number of short-term details of HUD field-office personnel were arranged so that regular HUD field employees, after a three-day orientation, were trained to work individually with the hundreds of communities bordering the Great Lakes

2 Use private firms for flood-plain studies In cooperation with the Contracts and Agreements Division of the Department, we have begun a limited experimental program of contracting with qualified private engineering firms to perform flood-plain studies. We anticipate that the first contracts for a substantial volume of such work will be negotiated before the end of the current fiscal year. We share your hope that use of private engineering firms will be of significant help in further accelerating the completion of studies and that it will prove not significantly more costly than the use of other Government agencies.

3 Promptly review land-use and control measures We agree that a thorough program of review of land-use and control measures is needed if the program is to achieve its primary purpose—reduction of future flood losses through wise management of flood-prone lands. The Budget for fiscal year 1974 includes provision for 23 additional employees to work on the flood insurance program. In addition, we hope to utilize the temporary services of other qualified employees within the Department (on both the Headquarters and Field levels) to accomplish the needed review of local measures.

Although there were a number of community land-use measures awaiting review at the time of the GAO survey in January, these were only regular program communities. Even in January every one of the more than 1,035 emergency program communities' land use measures had been reviewed. In addition, since January, we have reviewed every regular program land use measure received prior to January 1, 1973. Only 75 regular program measures due since that date remain to be reviewed. To put this in perspective we have reviewed a total of 399 regular and 1,725 emergency program measures. This is quite a different picture from that drawn by this GAO Report.

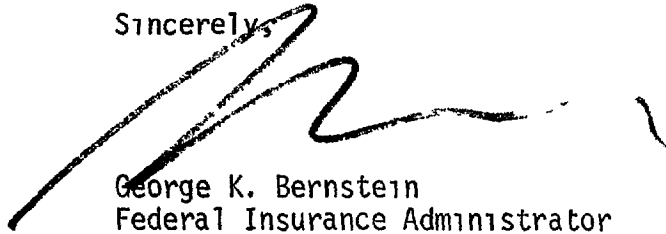
4 Promptly notify deficient communities and suspend non-compliers Land-use measures submitted by 160 communities have been found deficient on the basis of office review and are pending formal notification. In addition, we have suspended 67 communities from program participation, 52 suspensions are still in effect. We will notify each of these 160 communities as quickly as our staff limitations permit us to follow up such notification with the intensive communication with each that will surely follow. Surely the knowledge that we intend to require full compliance with Federal standards and criteria has its effect upon communities which might be tempted to follow a course of non-compliance.

5 Establish monitoring programs We agree that a soundly conceived and fairly administered monitoring program will be essential to long-term benefits from the flood insurance program, and intend to embark



upon such a program when staffing constraints will permit. As noted above, the budget for fiscal year 1974 includes 23 additional employees to work on this program, of which 10 are expected to be assigned to field stations. We believe that reasonable priority should be accorded communities that make application for program eligibility, but that follow-up of actual performance cannot be permitted to suffer as a result of the intensive effort to acquaint communities with the program and its benefits and to secure their initial eligibility.

Sincerely,

A handwritten signature in black ink, appearing to read "George K. Bernstein". The signature is fluid and cursive, with a long horizontal stroke at the end.

George K. Bernstein  
Federal Insurance Administrator

Attachment

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