

# FBI Investigates FEMA Flood Map Changes After NBC News Report

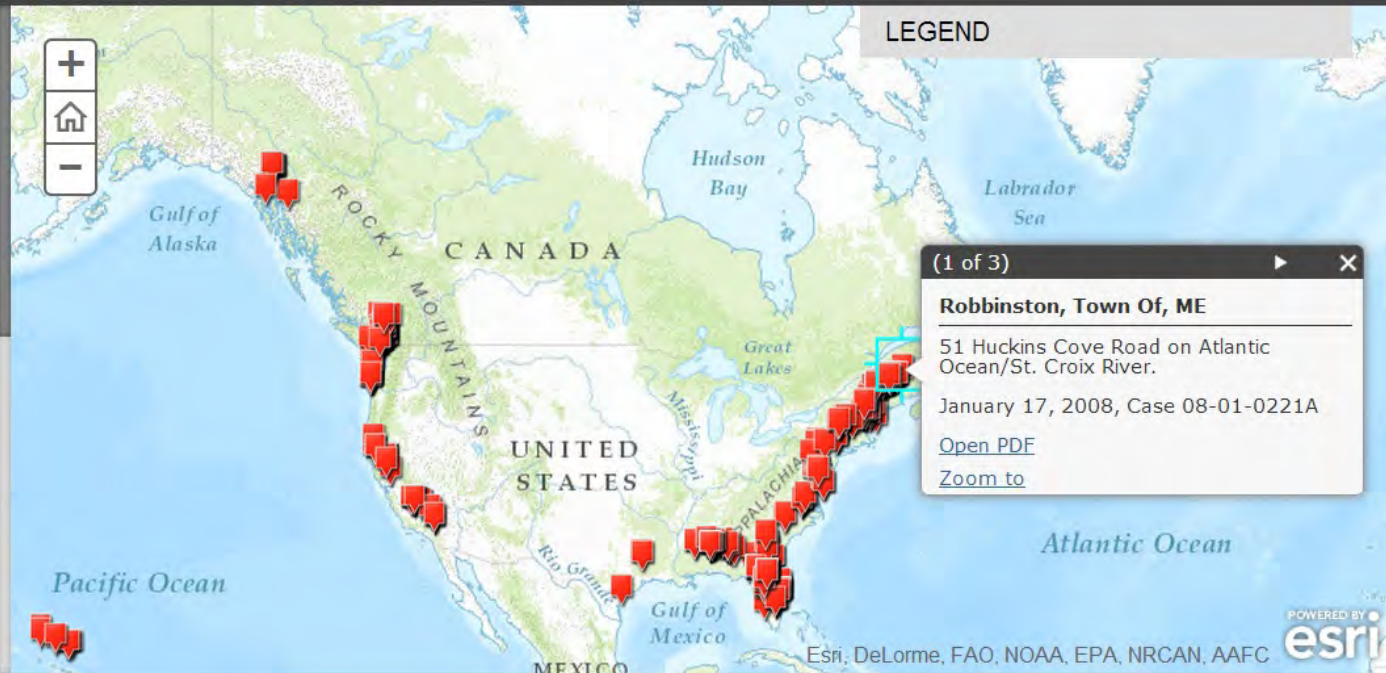
## NBC News: More than 500 coastal properties get a break from FEMA

NBC News identified more than 530 sections of coastal property that the Federal Emergency Management Agency has moved out of the highest-risk flood zone. See the full story at <http://investigations.nbcnews.com>. Click through the numbered tabs to explore changes in different regions of the country.

### 1 All Changes

NBC News identified more than 530 sections of coastal property that the Federal Emergency Management Agency has moved out of the highest-risk flood zone. Read the article from NBC News, "[Why Taxpayers Will Bail Out the Rich When the Next Storm Hits](#)," and see a [map of condos on the Gulf Coast of Alabama](#) receiving this break.

You can zoom into this map to see more information



Read the series and see the interactive maps on NBC News Investigations:

<http://nbcnews.com/flood>

menu **NBC NEWS** HOME LATEST SEARCH

NEWS / INVESTIGATIONS

Mar 27

## FBI Investigates FEMA Flood Map Changes After NBC News Report

BY BILL DEDMAN

**F**BI agents are interviewing employees at FEMA in an investigation of unusual changes in federal flood insurance maps that benefited oceanfront condo buildings with a history of flooding, according to sources familiar with the investigation.

The investigation follows a report by NBC News documenting more than 500 instances in which FEMA has remapped waterfront properties from the highest-risk flood zone, saving the owners as much as 97 percent on the premiums they pay into the financially strained National Flood Insurance Program.

FBI agents have conducted interviews in Washington over the past 10 days with employees of the Federal Emergency Management Agency, which oversees the flood insurance program. Others outside the government also have been interviewed and have voluntarily provided documents, according to two people interviewed by the FBI. Employees at contractors that evaluate the map changes for FEMA are also being interviewed.

Sitting in on the FBI interviews are investigators from the Office of the Inspector General at the U.S. Department of Homeland Security, according to the sources. FEMA, which has said it would review the flood map changes identified by the DHS.

**INVESTIGATES**

**NBC NEWS**

RECOMMENDED STORIES

**Part one, Feb. 18, 2014:**

## **Why Taxpayers Will Bail Out the Rich When the Next Storm Hits**

**BY BILL DEDMAN**

**Part two, Feb. 19, 2014:**

## **Meet the Flood Insurance 'Robin Hood' Who Saves Condo Owners Millions**

**BY BILL DEDMAN**

**Part three, Feb. 20, 2014:**

## **For Average Joes, Fighting FEMA Flood Maps Isn't Easy or Cheap**

**BY MIRANDA LEITSINGER**

**Follow-up, March 27, 2014:**

## **FBI Investigates FEMA Flood Map Changes After NBC News Report**

**BY BILL DEDMAN**

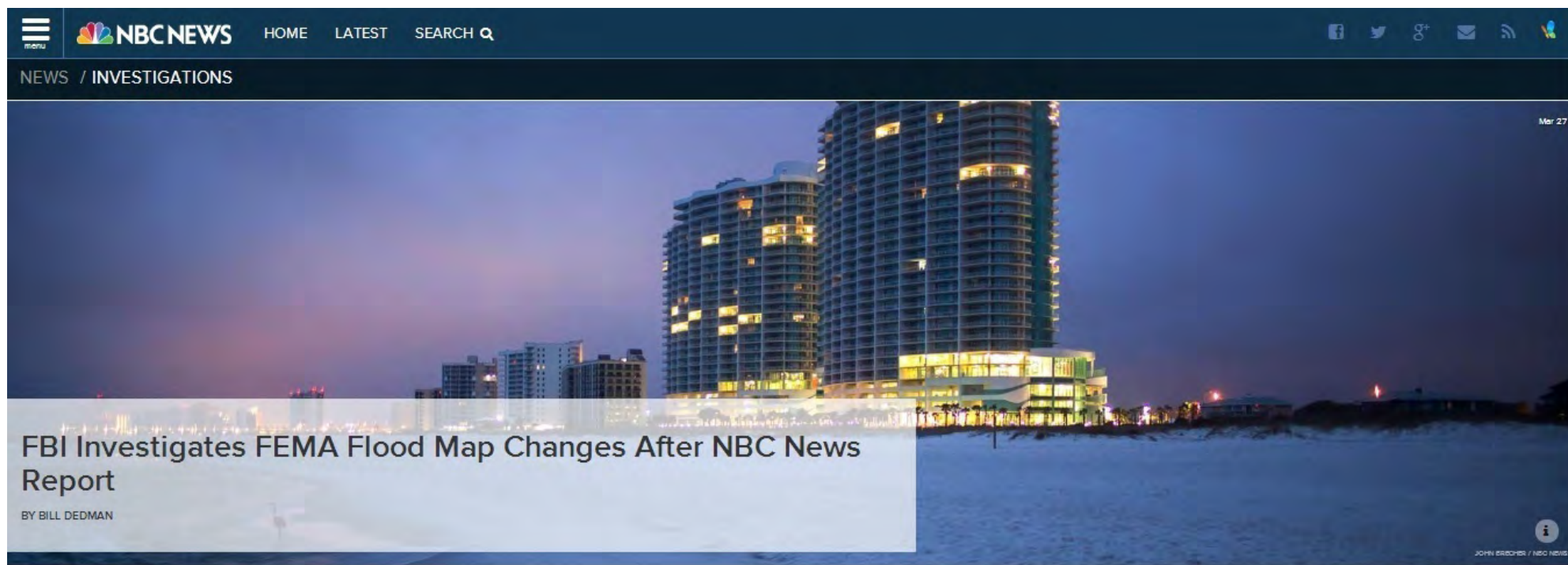
**Read the series and see the interactive maps on NBC News Investigations:**

**<http://nbcnews.com/flood>**

Part one, Feb. 18, 2014:

# Why Taxpayers Will Bail Out the Rich When the Next Storm Hits

BY BILL DEDMAN



GULF SHORES, Ala. — As homeowners around the nation protest skyrocketing premiums for federal flood insurance, the Federal Emergency Management Agency has quietly moved the lines on its flood maps to benefit hundreds of oceanfront condo buildings and million-dollar homes, according to an analysis of federal records by NBC News.

The changes shift the financial burden for the next destructive hurricane, tsunami or tropical storm onto the neighbors of these wealthy beach-dwellers — and ultimately onto all American taxpayers.

In more than [500 instances](#) from the Gulf of Alaska to Bar Harbor, Maine, FEMA has remapped waterfront properties from the highest-risk flood zone, saving the owners as much as 97 percent on the premiums they pay into the financially strained National Flood Insurance Program.

NBC News also found that FEMA has redrawn maps even for properties that have repeatedly filed claims for flood losses from previous storms. At least some of the properties are on the secret "repetitive loss list" that FEMA sends to communities to alert them to problem properties. FEMA says that it does not factor in previous losses into its decisions on applications to redraw the flood zones.



See a map from NBC News linking to public records for the 533 rezoned properties along the U.S. coast.

And FEMA has given property owners a break even when the changes are opposed by the town hall official in charge of flood control. Although FEMA asks the local official to sign off on the map changes, it told NBC that its policy is to consider the applications even if the local expert opposes the change.

"If it's been flooded, it's susceptible to being flooded again. We all know that," said Larry A. Larson, director emeritus of the 15,000-member national Association of State Floodplain Managers. "FEMA is ignoring data that's readily available. That's not smart. And it puts taxpayer money at risk."

## **The Gulf Coast experience**

The neighboring resorts of Gulf Shores and Orange Beach on the South Alabama coast include a stretch of beach that was flooded by Hurricanes Erin and Opal in 1995, Danny in 1997, Georges in 1998, Ivan in 2004, and Katrina in 2005. The map changes here offer a vivid example of the risks that come with such reclassifications.

The direct hit by Ivan was the worst, bringing not gently rising floodwaters but a 14-foot wall of water that leveled buildings and flooded more than a mile inland. That's why flood maps show most of this beach as a "coastal velocity wave zone," the area with the highest risk of damage from storm surge.

But nearly all of the condominium towers are no longer in that highest-risk zone, including a 17-story condominium built where the old Holiday Inn was wiped away by Ivan's winds and waves, and another where the McDonald's was a total loss. From 2011 through 2013, FEMA granted applications remapping 66 out of 72 waterfront condo towers in Gulf Shores to lower-risk flood zones or off the flood maps entirely. Four others have applications pending. Just two applications have been denied. And next door in Orange Beach, the map lines have been redrawn around four high-rise condo buildings.

On a single day, Oct. 25, 2012 — a day when FEMA was closely monitoring Hurricane Sandy as it barreled toward the Atlantic Coast — a FEMA manager [issued a document](#) reclassifying a full mile of the coastal property in Gulf Shores. That document, just one of the 533 cases found nationwide by NBC News, redrew the lines to exclude 25 condo buildings from the highest-risk flood zone.

This beachfront condo, the Island Tower, collected \$11,562 for its damage from Katrina, and more than \$250,000 from Ivan.

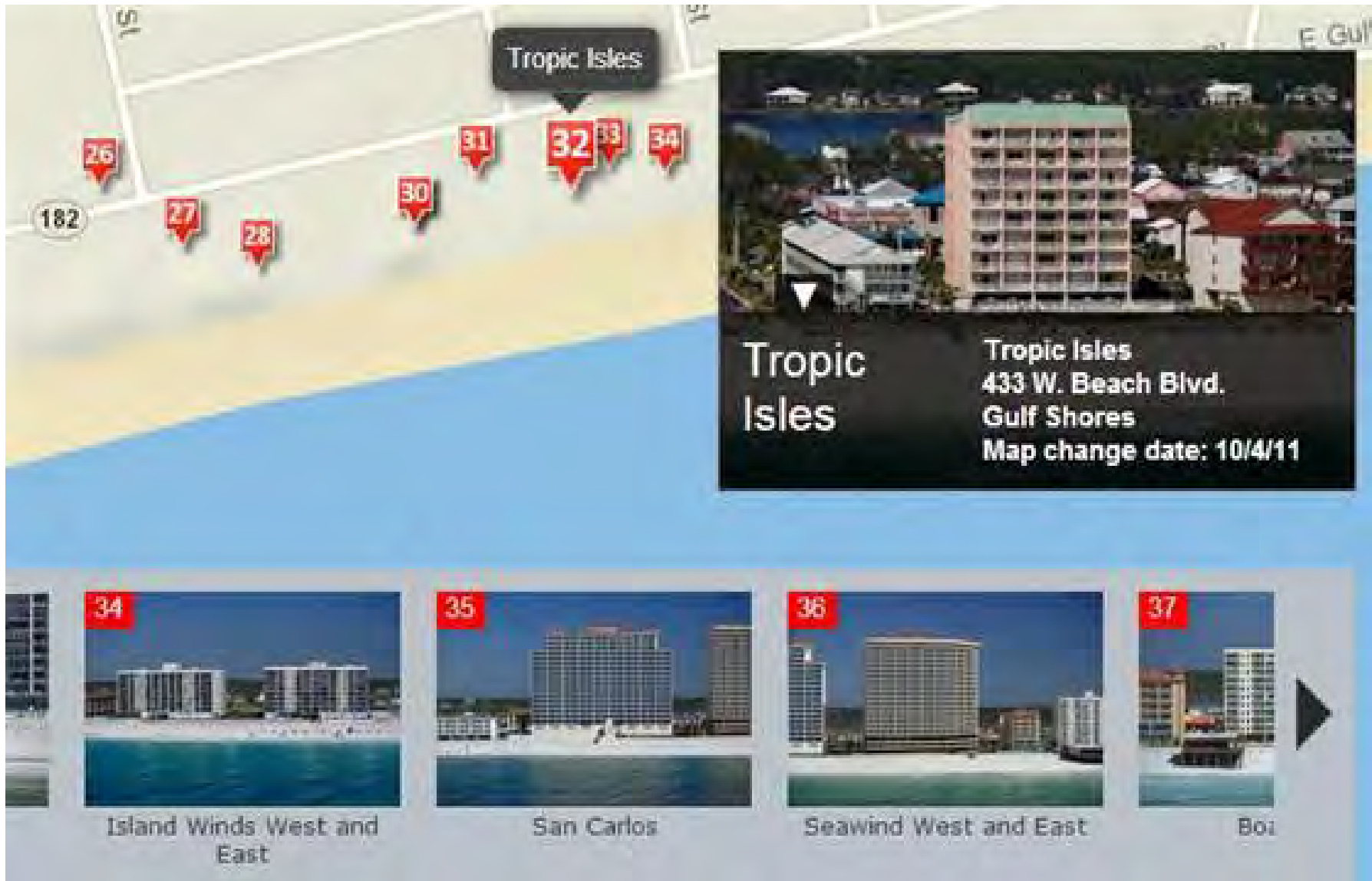


**The Island Tower condominium building, right, and the Phoenix All Suites Hotel, left, rise above the beach in Gulf Shores. FEMA remapped both into lower-risk flood zones. (Photo by John Brecher / NBC News.)**

The Island Tower's condo association was paying \$143,190 a year into the National Flood Insurance Program. Now that it's been reclassified into a lower-risk flood zone, its premium is \$8,457 a year, a saving of 94 percent, according to records examined by NBC News.

Just down the beach is the Royal Palms. It collected \$58,230 for damages during Katrina, and \$889,730 from Ivan. The Royal Palms was paying \$218,484 a year, but after being changed to a lower-risk flood zone, now pays only \$6,845, saving 97 percent.

The map changes in just these two towns resulted in at least \$5 million a year in lost revenue to the flood insurance program, according to records examined by NBC News. All of these changes were approved by FEMA despite opposition from the city officials in charge of floodplain management.



[See a map from NBC News with details of the condominium projects in Gulf Shores and Ocean Beach.](#) Some of the condo projects have multiple buildings, making more than 60 buildings in all.

Elsewhere in Gulf Shores, homeowners are paying as much as \$12,000 a year in flood insurance premiums for their single-family homes, according to insurance records. These homeowners are paying as much as several large condo buildings combined.



**The Naples, Fla., home of Robert A. Watson, at left, was moved in 2013 out of the highest-risk flood zone, while its neighbors continue to pay higher rates for flood insurance. (Photo courtesy of Pictometry International Corp.)**

## Properties from Alaska to Maine

Because waterfront properties are expensive, and it costs thousands of dollars to hire an engineer to press a case with FEMA, the remapped properties tend to be luxurious, either the first or second homes of industrialists, real estate developers and orthopedic surgeons.

The 533 properties include a [\\$4 million home in the Hamptons](#) resort on Long Island, N.Y., owned by a married couple who direct Wall Street investment firms.

In Miami, the beneficiaries include the twin 37-story condos at ritzy [Turnberry Isle](#) in Sunny Isles Beach, and also the [Regalia](#), "the most luxurious building in South Florida."

In Naples, Fla., a [\\$19 million home](#) was remapped last year out of the highest-risk zone. The owner, Robert A. Watson, former president and CEO of units of Westinghouse Electric and Transamerica, said his property is protected by a floodwall, and he sought the map change last year not to save money but because FEMA has changed the map elevations in that area so many times. He said he wanted to know for sure that a guesthouse would be permitted. (He called mandatory flood insurance "a massive scam on the American people.")

In New York, FEMA granted the [Mamaroneck Beach & Yacht Club's request](#) to be remapped from the highest-risk flood zone in August 2012 — just two months before the club was damaged and its outbuildings destroyed by Hurricane Sandy, which stacked up yachts at its docks like pick-up sticks. The [club told NBC](#) that its engineering study showed that FEMA's map was wrong.

"Sandy was a once in a millennium event, and therefore cannot be the sole determination for planning," said Eric L. Gordon, attorney for the yacht club.

On North Carolina's Hatteras Island, the Frisco section was swamped by Hurricane Isabel in 2003. The storm produced a new body of water, Isabel Inlet, isolating the island for months. An entire neighborhood, flooded then, was [remapped in 2011 by FEMA](#) out of the highest-risk flood zone.

## Number of changes more than doubled last year

These map changes were rare until the mid-2000s, but their numbers have skyrocketed in recent years. We found a handful of cases each year in the early 2000s, then 44 cases in 2008, 68 in 2009, 90 in 2010, 87 in 2011, 68 in 2012, and 152 in 2013. The true number of flood map changes is probably far higher than our count of 533. We were able to examine documents for only about half of FEMA's map changes in coastal states, because searchable documents were not available on the FEMA website. And our count excluded thousands of map changes each year near rivers and streams.

On the Pacific Coast, where the hurricane threat is lower but tsunamis are a risk, [dozens of properties on Puget Sound](#) have benefitted from map changes. Though low-lying Florida, with the most flood zone properties, has the most cases that NBC documented, with 124, Washington state was a close second with 116, followed by Maine (79), California (35) and Massachusetts (35). We were able to confirm map changes in every coastal state except New



**Realtor Erin E. Kaiser stands on a deck of one the houses she owns in The Cottages at Romar in Gulf Shores, Ala. Flood insurance for this 5,200-square-foot house costs about \$6,000 per year. It remains in the high-risk flood zone, while beachfront buildings with dozens of condo units pay less. (Photo by John Brecher / NBC News.)**

Hampshire, with its tiny shoreline, and Louisiana, where most of the coastline is marsh, and where Katrina's high waves set a new bar for flood maps, overriding previous map changes.

### **FEMA reviewing cases identified by NBC**

Although FEMA would not make any official available for an interview on the record, spokesman Dan Watson issued this statement: "In order to ensure the public knows their flood risk and insurance is priced accurately, FEMA works with communities and property owners to incorporate the best available data into the nation's flood maps. Individuals can request amendments and changes to the maps, but those requests must meet regulatory as well as scientifically established, technical requirements. ... FEMA has no tolerance for fraud and we refer any allegations or suspicions of fraud to the Department of Homeland Security's Inspector General."

Property owners send their applications for map changes along with measurements and elevation data certified by an engineer or surveyor. These are evaluated by contractors for FEMA, which then issues the letter approving or denying the changes. Although the contractors do most of the work, FEMA said it has auditing procedures to check a random sample of the work done by its contractors.

"FEMA takes its responsibility for administering the National Flood Insurance Program seriously and is reviewing the cases presented by NBC to ensure they were properly processed," Watson said in the statement. "FEMA strives to ensure that administrative actions are properly executed and meet all statutory and regulatory mandates. The data provided by applicants for LOMAs (letters of map amendment) and LOMRs (letters of map revision) are reviewed based on scientific, technical standards and approved or denied based on those standards. FEMA has monitoring, oversight, and audit processes in place to ensure the work performed by contractors follows proper procedures."

### **If you're remapped, will the next hurricane care?**

At town hall meetings around the country in recent months, homeowners have cried out about sharply higher premiums for flood insurance or the inclusion of their properties in the program for the first time. New flood maps in many states have raised the estimation of flood risks along rivers, streams and oceans, adding many properties to flood zones for the first time. And now, as changes are phased in from a law called the Biggert-Waters Flood Insurance Reform Act of 2012, owners are facing sticker shock as they pay their "fair share" according to their risk of flooding.

Meantime, with little public notice, FEMA has been changing the flood maps to give others a break. Last year, FEMA says, it approved 89 percent of the applications for map amendments. Carving the flood zone map like a parent cutting a notch in a jack-o'-lantern to make a tooth, FEMA moves the lines on a map for one property, while leaving its neighbors in the highest-risk zone. In some cases FEMA not only moves the properties down a step in risk, which would save those owners on their insurance premiums, but moves them all the way down to the lowest-risk zone, making flood insurance optional.

Although the map changes are required to be made public, they receive little attention. The action reclassifying a mile of the Gulf Shores beach got the standard treatment: a line in the Federal Register showing a case number, and a tiny classified ad in the community newspaper.

Giving property owners a method for correcting errors on flood maps is perfectly reasonable, according to national specialists in flood insurance. But considering coastal properties with a history of flooding as low risk has inevitable results, they say:

- The owners pay less into the national flood insurance program, where a reduced risk typically means a lower premium. Depending on when the map change is issued, the owners may receive refunds of premiums for the current year and the previous year.
- If these properties are damaged in the next hurricane, nor'easter or tsunami, they're still insured by the national flood program, up to \$250,000 in damage to a single-family home, or \$250,000 per unit for a condo building.
- The American taxpayer gets the bill when the National Flood Insurance Program runs out of cash. The program currently has a deficit of \$24 billion, FEMA says.
- Being in a less-restrictive flood zone allows owners to use lower construction standards, avoiding breakaway walls and sinking piers and pilings deep into the ground. Such shortcuts encourage overbuilding along the coastline, further increasing the risk to taxpayers.

One prominent insurance consultant, Bruce A. Bender of Arizona, said that many map changes may be perfectly justified. A surveyor may find a higher elevation, for example, than FEMA had estimated. An unjustified map change, however, "impacts how people build," Bender said. "For example, if you put a new building in a Zone A," which doesn't anticipate strong waves, "that really has a higher risk due to potential heavy wave damage and should be in a Zone V, you should be putting in breakaway walls. Homes have a greater chance of getting damaged or wiped out."

-----

Read part two, "Meet the Flood Insurance 'Robin Hood' Who Saves Condo Owners Millions," <http://www.nbcnews.com/news/investigations/meet-flood-insurance-robin-hood-who-saves-condo-owners-millions-n26711>

### **Share your information**

Do you have information on FEMA's changes to flood maps, or the companies that apply for or evaluate these applications? [Send an email to investigative reporter Bill Dedman](#) at NBC News.

### **About the public records**

NBC News requested from FEMA the public records of all active changes to its flood maps, called letters of map revision (LOMR) or letters of map amendment (LOMA). We received databases with short descriptions of 307,730 of these changes since the 1970s. Limiting our search to 23 states on the Pacific, Gulf and Atlantic coasts, NBC downloaded all the available PDFs of the public records for those map changes from FEMA's website. NBC News investigative reporter Bill Dedman and database consultant Richard Mullins examined the public records, evaluating determining whether any part of a coastal property changed from the highest-risk flood zone (a coastal high-hazard area, defined as Zone V on FEMA flood maps) to a lower zone. Only changes from this highest classification were counted — most of the properties received revisions from, say, a mid-risk flood zone to the lowest-risk zone. The actual number of map changes from high-risk zones is apparently far higher than the 533 we counted; more than half of the FEMA documents did not have searchable text or no document could be found under that case number on FEMA's website.

First published February 18th 2014, 4:40 am

Part two, Feb. 19, 2014:

# Meet the Flood Insurance 'Robin Hood' Who Saves Condo Owners Millions

BY BILL DEDMAN



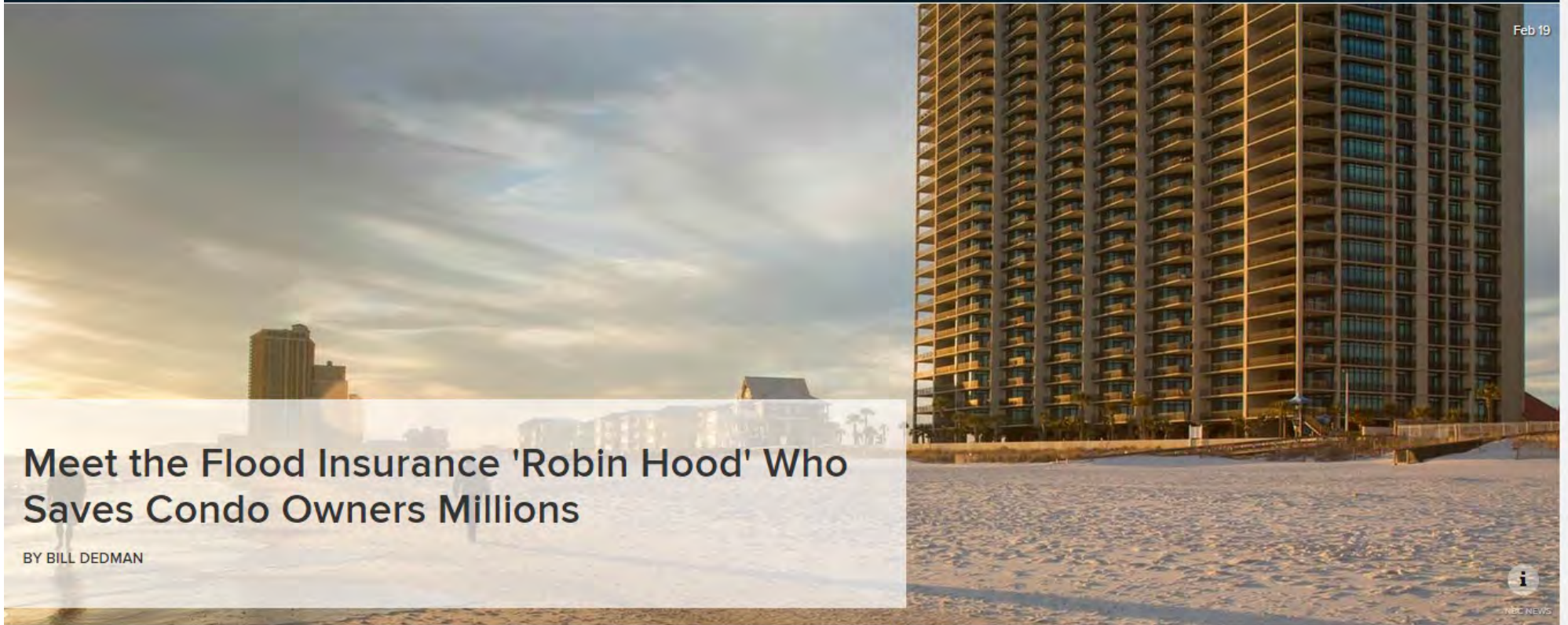
HOME TOP VIDEOS ONGOING: EBOLA VIRUS OUTBREAK MISSING AIRASIA PLANE



U.S. WORLD LOCAL POLITICS HEALTH TECH SCIENCE POP CULTURE BUSINESS INVESTIGATIONS SPORTS MORE

NIGHTLY NEWS TODAY MEET THE PRESS DATELINE

NEWS / INVESTIGATIONS



ORANGE BEACH, Ala. — The builder of the most luxurious condominiums on this sugar-white sand beach had a problem. One of the twin towers of Turquoise Place was just inside a line on a federal flood map, a small difference that could cost the condo owners more than half a million dollars a year for flood insurance.

Three engineers told owner Larry Wireman there was no way the flood map qualified for a change, not on this stretch of the Gulf of Mexico, not in a hurricane-prone community where dozens of buildings were destroyed by the most recent of many storms to blow through the area. "There's no way in hell that's going to happen," one of those engineers, Vince Lucido, said he was told by a firm specializing in coastal engineering.



**The Turquoise Place condominium buildings rise above Orange Beach, Ala. One was moved out of the highest-risk flood zone, and then the other was being moved back in. (Photo by John Brecher / NBC News.)**

But a fourth company saw it differently, persuading the Federal Emergency Management Agency to move the line on its flood maps. Turquoise Place Tower I, which had been in the highest-risk flood zone, was now in a low-risk zone, where flood insurance was optional.

"It smelled pretty bad to me," said Lucido, the developer's engineer. "It was too easy."

The condo owners still have insurance through the national flood program, because they buy it voluntarily. But now they pay a much lower annual premium. The building has all the finest amenities, with hot tubs on the 400 balconies that ring the curved towers like striations on a conch shell. The owners have saved more than 90 percent on the premiums they pay into the National Flood Insurance Program, meaning less money to cover losses nationwide.

This map change was engineered by a South Florida company called Flood Zone Correction, Inc. It engineered the map change for Turquoise Palace in 2011, and changes for more than 60 other buildings just in two towns on the Gulf of Mexico. Its founder and president, Dan Freudenthal, says the firm is able to get buildings remapped from the highest-risk flood zones by using newer surveys to counter errors on FEMA's flood maps.

"We're the ones saving property owners money. We're Robin Hood!" he said. "We're helping people correct errors on the flood map where it's appropriate. If FEMA just fixed the problems in their flood mapping and their rates, we'd be out of business. In the meantime, we're going to continue to advocate for the people."

Freudenthal (pronounced FROOD-en-thal) told NBC News that he has filed successful applications for flood map changes for about 100 coastal condo projects in Florida, Alabama, Texas, South Carolina and Georgia, in addition to hundreds of inland properties. The condo projects are among more than 500 coastal properties ([see the map](#)) identified by NBC in FEMA records as having been remapped out of the highest-risk flood zones.

Freudenthal's West Palm Beach company, which also does business as Flood Risk Solutions, LLC, does not work for owners of single-family homes, only for commercial real estate companies.

In some cases, Flood Zone Correction has been able to win appeals despite the objections of local officials in charge of reducing flood damage. In Orange Beach and its neighbor Gulf Shores, for example, FEMA asked city flood officials for their support of the map changes, then approved the changes without it.

"These changes are absurd," said Landon K. "Lannie" Smith, the floodplain administrator for the city of Orange Beach, who wouldn't sign off on the Turquoise Place application and others. "It's shifting the burden to single-family homeowners."

The condo owners save up to 97 percent on their annual insurance premiums, according to the company's website. Depending on its size, a single building could cut as much as \$500,000 a year off its payments into the National Flood Insurance Program.

The flood program is running a deficit of \$24 billion, a rising tide of red ink that prompted Congress to pass a law called the Biggert-Waters Flood Insurance Reform Act of 2012. The law, which is currently being phased in, requires owners of properties in flood zones to pay their "fair share" according to their risk of flooding, resulting in sharply higher premiums for many property owners. Congress is considering whether or not to yield to the pleas of property owners by forestalling the Biggert-Waters changes.

At the same time, new flood maps in many states have raised the estimation of flood risks along rivers, streams and oceans, adding many properties to flood zones for the first time.

Yet in the more than 500 instances documented by NBC News, FEMA has quietly moved the map lines to benefit properties that were once considered at highest risk of flooding.

### **A damaging history**

There's no dispute that Orange Beach and Gulf Shores are prone to high-velocity waves. The last big storm to make a direct hit, Hurricane Ivan in 2004, unleashed a 14-foot wall of water that destroyed dozens of buildings. The gulf highway was torn up, and floodwaters surged a mile inland.

This resort area rebuilt, bigger and better. When the first Turquoise Place tower opened in 2008, the price of a condo — with a 10-foot floor-to-ceiling view — started at \$1.3 million. The 400 units in two towers sit right in the middle of a beach where Ivan caused the destruction or condemnation of The View, Sapphire Beach, Crown Princess and Crown Pointe — four of 16 condo towers in Orange Beach devastated by the hurricane.



**Dan Freudenthal, right, is president of Flood Zone Correction, which has successfully applied to the Federal Emergency Management Agency to rezone about 100 coastal commercial developments out of the highest-risk flood zones. Freudenthal's insurance agency, CRIO Inc., received the 2010 Agency of the Year Award from FEMA. Freudenthal is pictured in 2011 with Edward L. Connor, FEMA's deputy associate administrator, who oversees FEMA's National Flood Insurance Program. FEMA says it doesn't take into account claims paid out on property by the insurance side of the National Flood Insurance Program, when the mapping side of FEMA considers an application to remove a property from the highest-risk flood zone. (Photo by Linda Reineke / RiverviewPhotography.com.)**

Flood Zone Correction arrived in 2010, signing up gulf front condo associations to apply to FEMA for change to the flood maps. The condos pay nothing up front for the service. Freudenthal says his company is paid on commission, receiving half of the amount that it saves the property owner in the first year. FEMA allows owners to receive a refund of premiums for not only the current year but also the previous year. Insurance agents said a single building in a high-risk zone can pay \$4 million a year, depending on elevation and design.



**The remains of a swimming pool located between the Crown Point and Crown Princess condominiums destroyed by Hurricane Ivan in Orange Beach, Ala., in September 2004. More than 60 condo buildings along this beach in Orange Beach and Gulf Shores have been rezoned out of the highest-risk flood zones by the Federal Emergency Management Agency. (Photo by Joe Cavaretta / AP.)**

Freudenthal, who has a venture capital background but now is a licensed insurance agent and insurance company owner, said he got into the flood business in 2001 in South Florida, after he and a friend with family real estate investments discovered that FEMA's maps for his properties were wrong. They saved so much money that they saw a business opportunity. He's not the only one in this business — [FEMA has a list of companies](#).

Although he wouldn't discuss the Turquoise Place case specifically, Freudenthal said his applications for map changes are based on fresh data and surveys, instead of the broad-brush approach that FEMA uses in making national flood maps. "The flood maps are old, outdated, based on old crappy data," he said. "We found, based on more accurate recent data, that the map should look different."

### **"Go over his head"**

In about half of the 100 map changes he's gotten approved, Freudenthal told NBC News, the floodplain administrator for the city or town refused to sign FEMA's concurrence form. Sometimes, he said, he has to "go over his head to the mayor" to get local approval.

Many floodplain administrators in city halls around the U.S., when interviewed by NBC News, said they didn't believe that FEMA would approve a map change without their OK. But FEMA confirmed that it has done so. While it asks the community's administrator to sign a concurrence form, a FEMA spokesman said it considers the application just the same with or without that sign-off.

### **An engineer with connections**

In emails to clients and city officials, Freudenthal has touted his company's connections to FEMA. In 2011, Freudenthal's flood insurance company, CRIO, was chosen by FEMA as the national insurance agency of the year. When he encounters resistance from a local official, Freudenthal calls Washington. "I just got off the phone with the head of the insurance side of NFIP and one of the head mapping people at FEMA," he said in one email to a town official.



[See a map from NBC News with details on the 530 rezoned properties along the U.S. coast.](#)

Freudenthal has also touted the connections of the man who worked for him as the engineer on the Gulf Coast map changes.

"As you can see this is all pretty detailed stuff and a bunch of red-tape to work through," he told a client in a 2011 email. "We are extremely lucky that the head of our Coastal Department is the ex-director for FEMA's Coastal Mapping Department so we are able to leverage his relationships to overcome many of the obstacles that pop up as he has managed to keep his relationships within the current FEMA infrastructure very friendly."

That engineer, Nader Mahmoudpour, told NBC News that "Mr. Freudenthal was exaggerating a bit." He did work for a contractor, Dewberry, that makes FEMA flood maps, but only as a group leader, not the head of all coastal mapping. Still, there are a small number of coastal engineering experts, Mahmoudpour said, so connections do matter, at least to help with getting answers when a request is stalled. After he worked making FEMA flood maps,

Mahmoudpour went to work as consultant for Flood Zone Correction in 2011, petitioning to change flood maps. Until he left in 2013, his applications were evaluated by another FEMA contractor, Michael Baker Corp., which handles the Southeast region.

Freudenthal said there's nothing unusual about this sort of connection. "I think having a basic professional relationship with people you're going to interact with is a positive thing. He can get a call back. Those people at FEMA aren't going to do anything sketchy. You're blaming us for being smart and hiring someone who knows what he's doing."

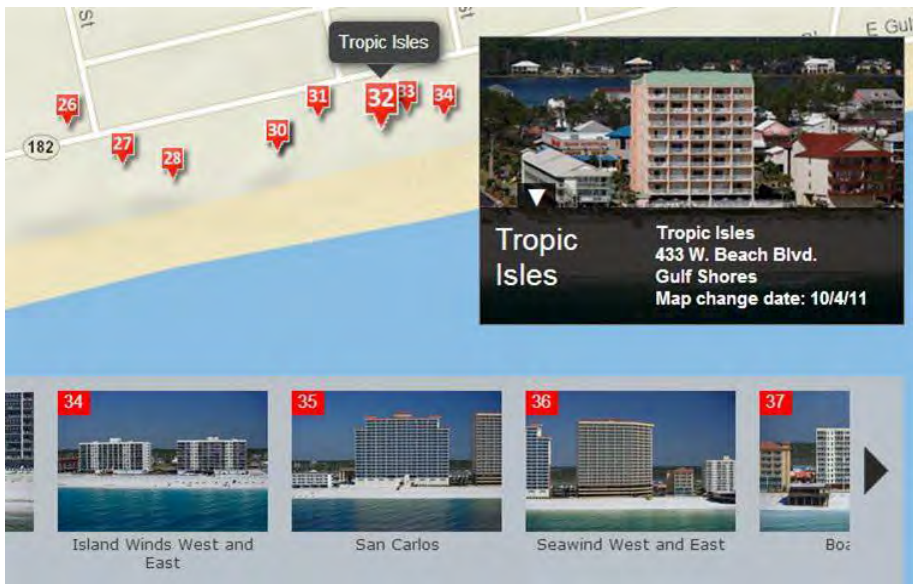
FEMA relied on Mahmoudpour's engineering certification on the Gulf Coast applications, although he acknowledges he has never seen the properties or even visited these cities. Mahmoudpour, who lives and works in Maryland, is licensed in Alabama as well, and regulations from the state and from FEMA allow an engineer to certify data collected by others. Freudenthal explained, "There is no requirement to actually go to the site or do anything like that."

### **Will fresh sand protect the buildings?**

In Ocean Beach and Gulf Shores, Flood Zone Correction staked its engineering claims partly on protection by dunes. After Hurricane Ivan was finished, there were no dunes left on the beach. The cities spent money on a "beach nourishment" program, putting sand back on the beach and forming a thin barrier between the beach and the condos, standing about 6 feet to 12 feet above sea level.

But Smith, the Orange Beach floodplain administrator, said the sandy berm would provide scant protection during a big storm.

"Those aren't dunes," Smith said. "This is beach nourishment. After Ivan, we dredged sand out of the Gulf. The next storm will put it right back into the Gulf. The next storm will tell us that these map changes are not a good idea. Katrina brought 30-foot waves. And we're telling people, as long as you're behind this berm, you're OK. That's ludicrous!"



[See a map from NBC News with details of the condominium projects in Gulf Shores and Ocean Beach. Some of the condo projects have multiple buildings, making more than 60 buildings in all.](#)

For many years, FEMA's rules said that beach nourishment couldn't be counted as a protective dune unless it had well-established vegetation to hold it in place. The sand on the Orange Beach and Gulf Shores beaches has only a sparse sprinkling of sea oats.

In 2013, after it approved the changes for these beachfront condos, FEMA issued new guidance, saying that from now on it can consider beach nourishment as protection in some cases.

### **FEMA responds**

Although FEMA would not make any official available for an interview on the record, and would not comment on specific map changes, spokesman Dan Watson issued this statement: "In order to ensure the public knows their flood risk and insurance is priced accurately, FEMA works with communities and property owners to incorporate the best available data into the nation's flood maps. Individuals can request amendments and changes to the maps, but those

requests must meet regulatory as well as scientifically established, technical requirements. ... FEMA has no tolerance for fraud and we refer any allegations or suspicions of fraud to the Department of Homeland Security's Inspector General."

Property owners send their applications for map changes along with measurements and elevation data certified by an engineer or surveyor. These are evaluated by contractors for FEMA, which then issues the letter approving or denying the changes. Although the contractors do most of the work, FEMA said it has auditing procedures to check a random sample of the work done by its contractors.

"FEMA takes its responsibility for administering the National Flood Insurance Program seriously and is reviewing the cases presented by NBC to ensure they were properly processed," Watson said in the statement. "FEMA strives to ensure that administrative actions are properly executed and meet all statutory and regulatory mandates. The data provided by applicants for LOMAs (letters of map amendment) and LOMRs (letters of map revision) are reviewed based on scientific, technical standards and approved or denied based on those standards. FEMA has monitoring, oversight, and audit processes in place to ensure the work performed by contractors follows proper procedures."

One big question in regard to the map changes is this: Will FEMA, when it issues new flood maps in the future, override these one-at-a-time map changes — perhaps creating new work for companies like Flood Zone Correction — or will the map changes be "grandfathered in"? The FEMA spokesman said these will be decided one case at a time.

Freudenthal, the president of Flood Zone Correction, said FEMA sometimes gives the company more than it asked for. For instance, Freudenthal said he filed an appeal on behalf of certain condo buildings in Gulf Shores, with vacant spots in between, but FEMA responded by remapping an entire mile of the oceanfront in March 2013. Now, he said, any future development of those properties can be done without meeting the stricter building rules of a high-velocity wave zone, such as breakaway walls on the ground floor and pilings sunk deep to anchor a foundation.



**Steve McNew from Fort Wayne, Ind., reels in his bait at the end of a day's fishing on the beach in front of the Phoenix West II condominium in Orange Beach, one of dozens remapped so condo owners pay less into the National Flood Insurance Program. (Photo by John Brecher / NBC News.)**

"FEMA comes in and says we want our maps to look pretty, so we'll combine your cases and take this vacant land, and they include it in our case — something we think is atrocious," Freudenthal said. "We haven't analyzed that area. Now a developer can buy this land and not put posts and pilings in the ground."

## **A surprise**

The owner of Turquoise Place, Wireman, said he was pleasantly surprised when FEMA removed his tower one from the high-risk flood zone. "If FEMA is going to approve it, then it must be within FEMA's rules," he said.

A bigger surprise, he said, came when FEMA in 2011 sent a letter about his second tower, which had always been shown on surveys as five feet outside the high-risk zone. FEMA said that in considering his application for tower one it had found that tower two was actually in the high-risk zone all along. After an exchange of letters, and after the office of the state's senior U.S. senator, Richard Shelby, got involved, FEMA withdrew the threat, saying tower two was also out of the high-risk zone. (Read the documents for Turquoise [tower one](#) and [tower two](#).)

Wireman said it reminded him of a classic Abbott and Costello vaudeville skit about miscommunication.

"Who's on first?" Wireman asked. "If they're moving one building out of the zone, why would that cause them to put the other building in the zone?"

"What did I think? You sure you want to know what I think? I think someone at FEMA was trying to drum up more business for Flood Zone Correction."

FEMA and Flood Zone Correction said nothing untoward had happened. Freudenthal said, "Nobody at FEMA, their subcontractors or the community did us any favors."

-----

Read part three, "For Average Joes, Fighting FEMA Flood Maps Isn't Easy or Cheap," <http://www.nbcnews.com/news/us-news/average-joes-fighting-fema-flood-maps-isnt-easy-or-cheap-n23871>

## **Share your information**

Do you have information on FEMA's changes to flood maps, or the companies that apply for or evaluate these applications? [Send an email to investigative reporter Bill Dedman](#) at NBC News.

## **About the public records**

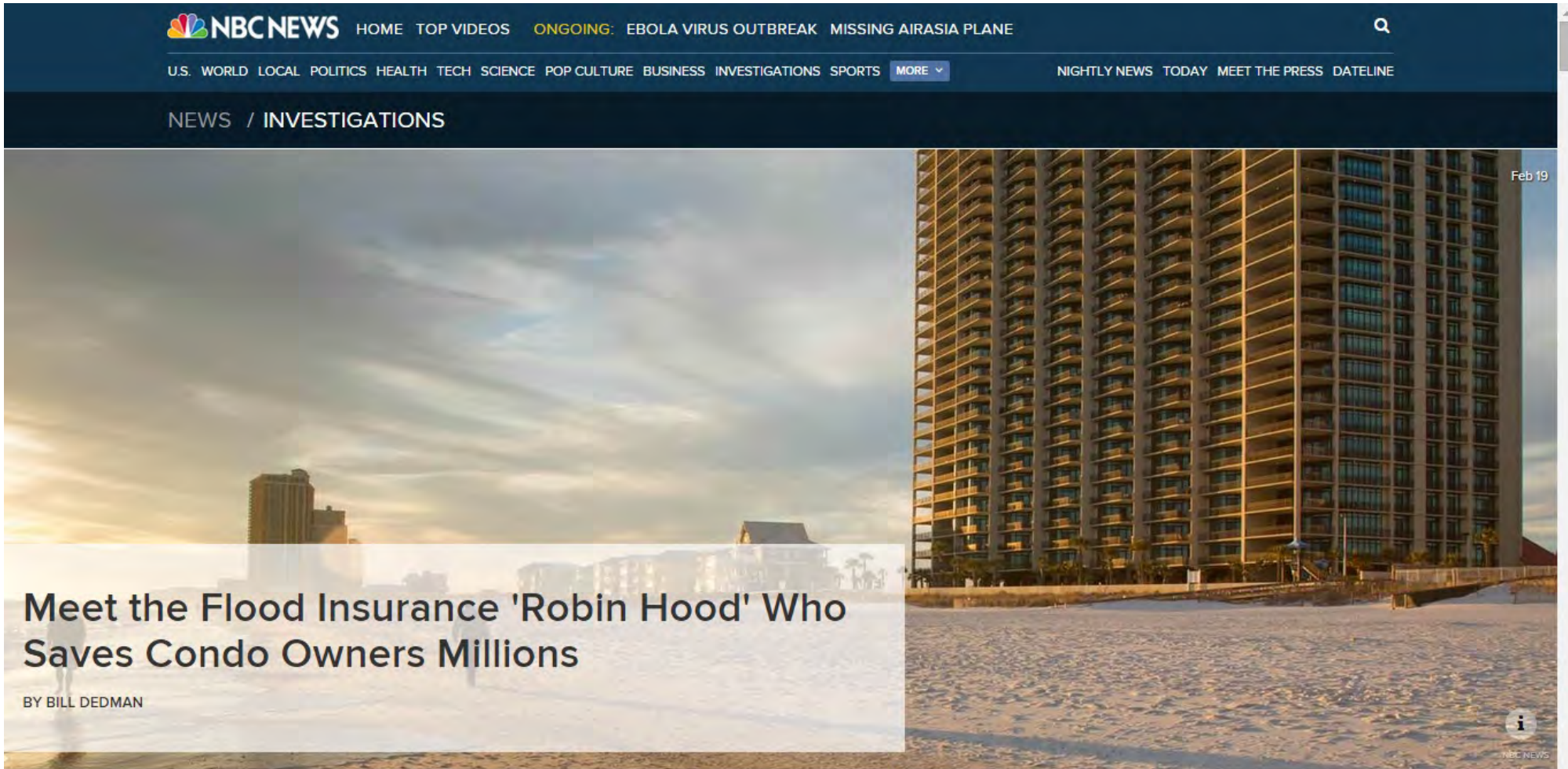
NBC News requested from FEMA the public records of all active changes to its flood maps, called letters of map revision (LOMR) or letters of map amendment (LOMA). We received databases with short descriptions of 307,730 of these changes since the 1970s. Limiting our search to 23 states on the Pacific, Gulf and Atlantic coasts, NBC downloaded all the available PDFs of the public records for those map changes from FEMA's website. NBC News investigative reporter Bill Dedman and database consultant Richard Mullins examined the public records, evaluating determining whether any part of a coastal property changed from the highest-risk flood zone (a coastal high-hazard area, defined as Zone V on FEMA flood maps) to a lower zone. Only changes from this highest classification were counted — most of the properties received revisions from, say, a mid-risk flood zone to the lowest-risk zone. The actual number of map changes from high-risk zones is apparently far higher than the 533 we counted; more than half of the FEMA documents did not have searchable text or no document could be found under that case number on FEMA's website.

First published February 19th 2014, 4:54 am

Part three, Feb. 20, 2014:

# For Average Joes, Fighting FEMA Flood Maps Isn't Easy or Cheap

BY MIRANDA LEITSINGER



DRY HOLLOW ROAD, Pa. — A creek winds along this paved road in central Pennsylvania, one branch shooting uphill and another cresting through empty fields. Or so Federal Emergency Management Agency maps say.

According to locals, the creek doesn't exist.

The first that residents heard of the supposed stream on Dry Hollow Road, known in this area of bucolic hills and farms for how dry it is, was when they received notices from their banks that they had to buy flood insurance. Recently-redrawn FEMA maps, formalized in October 2012, showed this part of town in a “special flood hazard area,” upgraded from a lower risk one that didn’t require coverage. “All of us were pretty upset about it,” said Don Fix, an engineer living off Dry Hollow Road paying \$430 in insurance. “It’s like they’re stealing from you.”

The question, his wife Stacy asked, is, “Where is the water?”



**Wearing a pair of waders, Don Fix stands in Dry Hollow Road in front of his house in Warriors Mark. (Photo by Jim Seida / NBC News.)**

As FEMA has moved to update its decades-old flood maps, experts have cheered the effort. Using the latest in mapping technology such as laser beams (LiDar) and computer modeling will account for climate change, they say, and will lessen the blow of devastating storms by compelling homeowners to reduce their risk. But critics caution that the maps, which are used to determine flood insurance premiums, are tough to challenge and in some cases are

ensnaring homeowners who shouldn't be in a flood zone. And though FEMA intends for everyone to pay their share, some businesses have [found a way](#) to move waterfront condos from high-risk zones into cheaper insurance brackets, while homeowners who can't access such services have little choice but to buy coverage.

FEMA's map overhaul covers America's populated 1.1 million miles bordering rivers, lakes, coasts and other flooding sources. So far the agency has surveyed nearly half of its target area, mapping about 3,800 communities. Some 8.6 million homes, or 6.5 percent of the nation's housing stock, are in flood zones, according to FEMA.

"Mapping and identifying flood hazards enables informed, smart development and encourages communities to adopt and enforce minimum floodplain management regulations," FEMA chief Craig Fugate told Congress in mid-September.



**Mark Colussy, Planning Director of Huntingdon County, points out a new stream that FEMA added to a map in Warriors Mark, Pa. (Photo by Jim Seida / NBC News.)**

The maps have come under growing scrutiny since 2012 for their role in determining flood insurance provided by FEMA's National Flood Insurance Program, which is \$24 billion in debt and is eliminating some subsidies that kept premiums below market rates.

People with mortgages on homes in flood zones must have coverage. The new maps placed some 520,000 residences into flood zones from 2005 to 2011, while taking nearly 570,000 out. Some homeowners have appealed the designations, questioning how they've landed in flood zones when they're nowhere near water or have never flooded.

Officials in Warriors Mark, the community of 1,800 where Dry Hollow Road winds a few miles among sparsely-populated lots, said they didn't know the maps would trigger such big changes in flood zone designations and insurance rates.

Stewart Neff, chairman of the town's board of supervisors, said they [received the proposed maps](#) in October 2010. FEMA said they had 30 days to verify non-technical items such as street and creek names, and the town would then have 90 days for appeals.

Trying to make sense of the revisions was hard, said town officials, who couldn't tell which properties were new to flood zones since the previous FEMA map from 1989 provided little detail to compare against.

The maps didn't arrive with a notice, "Warning, you better check this or some of your residents are going to incur additional flood insurance," said town solicitor Lee Oswalt. "The federal government really didn't make people aware of the potential consequences."

The impact was soon revealed when mortgage holders told homeowners they had 45 days to buy flood coverage.

"I'd like to strangle somebody over \$300 a year," Fred Diehl, a Dry Hollow resident, said of his flood insurance bill, "because this is something that should have never happened."

Appealing the maps could run into the tens of thousands of dollars—prohibitively expensive for a small town. Neff, a college security officer, said he told residents they could make challenges on their own.

"I'm afraid I was somewhat naïve on this," he said. "I wasn't prepared to analyze this map."



When asked about the Warriors Mark case, FEMA said the line seen on the map of Dry Hollow Road would normally correspond with a river (and was labeled a “run”). However, the designation in this case was intended to signify the lowest elevation in the area, or a depression in the earth such as a ditch, where water would accumulate in the 1 percent chance of annual flooding—which the maps are required by law to represent, the agency said.

There doesn’t need to be standing water to have a flood risk, according to FEMA, noting that LiDAR provides excellent data. Thus Dry Hollow’s “large drainage areas” were mapped into the special flood hazard area, the agency said.

Dry Hollow resident Don Fix called FEMA’s rationale “ridiculous.” There are ditches at points along the road, but “I’m pretty sure I don’t live in a crater,” he said.

“Every road has a ditch pretty much,” he said. “I think everyone who lives next to a road is going to be in a flood zone, right?”

Fix and other residents said they haven’t experienced flooding, and a local geologist said the rock under the soil in the area was fractured limestone—which means that water swiftly drains and doesn’t accumulate on the surface.

FEMA said homeowners could provide such information in an appeal. But making an individual challenge isn’t easy or cheap.

People in situations like the Dry Hollow residents would have to pay from \$1,000 to \$5,000 per household—or even more—depending on the extent of the surveys or engineering studies needed for their appeal, according to experts at an area engineering firm, P. Joseph Lehman Inc. Mark Colussy, the local county planning director, had wanted to do a larger appeal to remove the whole area in question on Dry Hollow Road—an exercise that would generally cost \$15,000-\$20,000 at a minimum, the Lehman experts said. But proving the area shouldn’t be in a flood zone, despite the favorable geology and the fact there is no water along Dry Hollow Road, is daunting, Colussy said.

“There is no process out there without spending lots of money to basically prove that and that’s the problem,” he said. “FEMA is just such a big animal, it’s difficult to go up against them.”

[Are you in a flood zone? Check on FEMA's national map](#)

Not all homeowners would have to pay so much as those on Dry Hollow Road. Appeals based on home elevations can run from a few hundred dollars to more than \$1,000. Richard Wettersten, 82, paid \$750 last spring to measure his home’s elevation in Wahkon, Minn., near Milles Lac Lake.

His bank had given him one week to get flood insurance or his home equity loan would be considered in default, though his residence of 19 years had never flooded.

The result was as Wettersten suspected: his house was more than one foot above the flood line. Within a week, he had secured [FEMA’s approval](#) to remove his home from the flood zone.

“You’re guilty until proven innocent,” he said.

Some 89 percent of the 30,000 flood map amendments sought annually are successful, FEMA said. But Fugate said those who make such appeals must pay for the work, telling Congress his program didn't have the money for it.

While some surveyors said the appeals process can go smoothly, Marc Roy, a former FEMA official, noted it also "breeds attrition," wearing homeowners out "financially and time-wise."

And some don't even get to the appeals stage. Paul Weamer, 41, and wife Ruthann, 40, bought their home in Coburn, Pa., in 2007 because it was near a good fishing stream but was certified as never having flooded since being built in 1951.

But in 2009, FEMA mapped one corner of their home's wet basement, which only contained bathroom pipes, into a flood zone.

The Weamers paid for an elevation survey and asked FEMA and local officials what they could do to get that corner out of the flood zone. They got conflicting advice and eventually gave up, buying insurance.

"It just seemed like the whole thing's rigged against you," said Paul Weamer, who pays \$425 for coverage. "If somehow you end up in FEMA's sights, there's not much you can do to get out of that, other than pay."

The big fear for homeowners is that being in a flood zone will diminish the value of their homes.

That was the case for Laura Metcalf, a 40-year-old mother of four, when she tried to sell her home in Carlisle, Ohio, last fall. She had a buyer offering \$85,000 for her home when the annual flood insurance estimate came in at \$6,700, causing the deal to collapse.

Metcalf didn't know about the changes to the 2012 flood map changes since her home had never flooded and she wasn't required to have insurance. Now she worried about her family's predicament: They had paid a deposit on a new home and were paying for two residences. Over time, the family exhausted their savings.



**This old church, which is now a residence, sits in a flood zone according to a FEMA map update made in 2012. The owner of this home and others along Dry Hollow Road in Warriors Mark, Pa., claim that the area is not a flood zone. (Photo by Jim Seida / NBC News.)**

Help came in January when another buyer offered her \$50,000 and she accepted. The Metcalfs' new home is on a hilltop.

“I feel like I can breathe now, even though I lost a lot of money,” she said. “I don’t have to worry about it anymore. I’m out of Carlisle, out of the flood zone.”

[Want to see FEMA's progress? See the mapping effort nationwide](#)

Advocates of FEMA's mapping say they hope the benefits of having updated maps don't get lost amid the occasional errors or debate over insurance hikes.

"The new flood mapping that's done is light years ahead of where we were 30 years ago," said Chad Berginnis, executive director of the Association of State Floodplain Managers. "Most of that is because the technology has changed so much."

But he said his organization has a "profound concern" about the mapping budget, which has been slashed 60 percent—from \$220 million in 2010 to \$90 million in 2013—while half of the work remains to be done.

Mapping expert David Maidment agreed that FEMA has made significant progress on revising its maps but said the agency has much work to do to rid them of inaccuracies, especially in rural areas that often get less extensive studies because of the cost.

"Things are heading in the right direction," said Maidment, a professor of civil engineering at the University of Texas, Austin. "It's just that the scale of the issue is so much larger than the degree of resources that we've still got to devote to it."

Stories of map inaccuracies weren't isolated cases.

"It's a big, big issue," he said. "There's no doubt about it and it's not going to go away soon."

As Congress debates legislation to ease the increase in flood insurance premiums, help may be on the way for some homeowners, but many remain stuck.

Burt Ford, 65, and wife Paula, 57, live uphill from a 28,000-acre lake in the central-Texas town of Frankston and are about 10 feet higher than the spillway, a channel for excess water.

But the base of their home's lowest point, a patio, is a few inches below the FEMA flood line. Their surveyor said they didn't have grounds to appeal. Their home has not flooded in the decade they've lived there. Yet they're paying \$1,700 a year for flood insurance.

"You would think if it floods you might as well get the ark out," Burt Ford said of the new maps.

Still, there is no choice.

“I’ll just have to do whatever they tell me,” he said. “I have to pay.”

-----

### **Share your information**

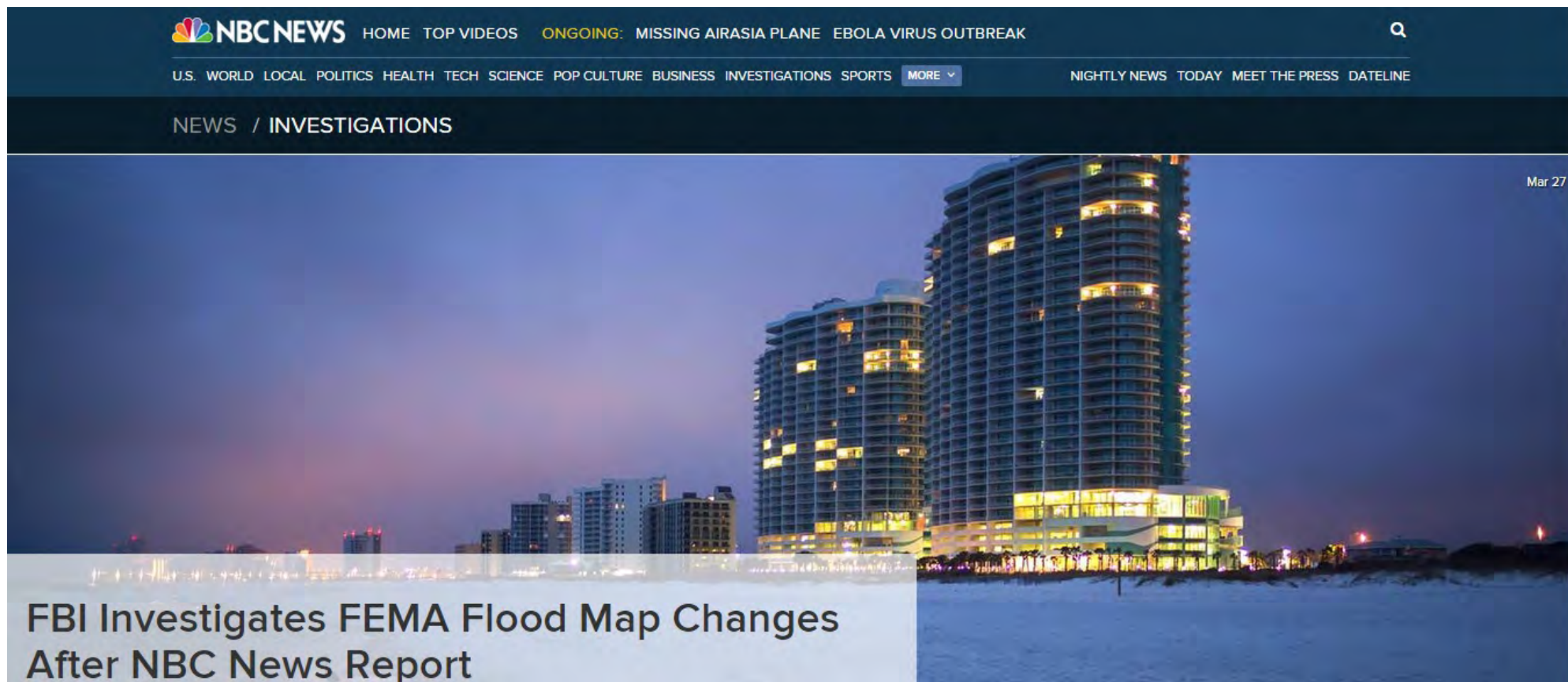
Are you experiencing changes to your FEMA flood maps or NFIP insurance premiums? What has the impact been? Share your story with reporter [Miranda Leitsinger](#).

First published February 20th 2014, 4:30 am

Follow-up, March 27, 2014:

# FBI Investigates FEMA Flood Map Changes After NBC News Report

BY BILL DEDMAN



FBI agents are interviewing employees at FEMA in an investigation of unusual changes in federal flood insurance maps that benefited oceanfront condo buildings with a history of flooding, according to sources familiar with the investigation.

The investigation follows [a report by NBC News](#) documenting more than 500 instances in which FEMA has remapped waterfront properties from the highest-risk flood zone, saving the owners as much as 97 percent on the premiums they pay into the financially strained National Flood Insurance Program.



[See a map from NBC News linking to public records for the 533 rezoned properties along the U.S. coast.](#)

FBI agents have conducted interviews in Washington over the past 10 days with employees of the Federal Emergency Management Agency, which oversees the flood insurance program. Others outside the government also have been interviewed and have voluntarily provided documents, according to two people interviewed by the FBI. Employees at contractors that evaluate the map changes for FEMA are also being interviewed.

Sitting in on the FBI interviews are investigators from the Office of the Inspector General at the U.S. Department of Homeland Security, according to the sources. FEMA, which has said it would review the flood map changes identified by NBC, is an agency within the DHS .

Asked about the FBI investigation, a FEMA official referred all questions to the Office of the Inspector General, whose spokesman said, "As a matter of policy, the Office of Inspector General does not discuss investigative matters." The FBI also declined to comment.



**The Island Tower condominium building, right, and the Phoenix All Suites Hotel, left, rise above the beach in Gulf Shores. FEMA remapped both into lower-risk flood zones. (Photo by John Brecher / NBC News.)**

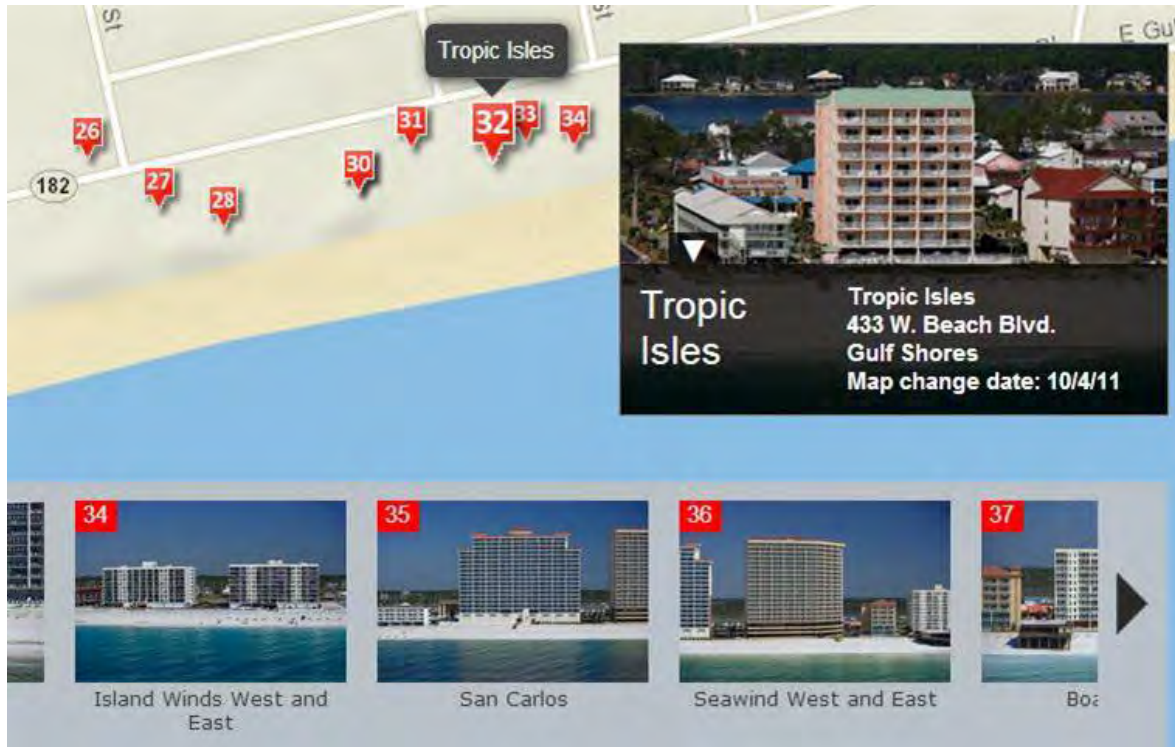
### **Where the McDonald's used to be**

NBC News reported on Feb. 18 that FEMA has moved the lines on its flood maps to benefit hundreds of oceanfront condo buildings and million-dollar homes. According to an analysis of federal records by NBC News, the changes shift the financial burden for the next destructive hurricane, tsunami or tropical storm onto the neighbors of these wealthy beach-dwellers — and ultimately onto all American taxpayers.

Examples of map changes were found from the Gulf of Alaska to Bar Harbor, Maine. One hotspot of map changes was on Alabama's Gulf Coast, in the twin resort towns of Gulf Shores and Orange Beach, where 70 coastal buildings have benefited, costing the flood insurance program at least \$5 million a year in premiums.

On a single day -- Oct. 25, 2012, as agency officials were closely monitoring Hurricane Sandy as it barreled toward the Atlantic Coast -- FEMA remapped more than a mile of the oceanfront in Gulf Shores, including condos on the spot where a Holiday Inn and a McDonald's were destroyed by Hurricane Ivan in 2004. [The document that made that change](#), issued by a FEMA manager, redrew the lines to exclude 25 condo buildings from the highest-risk flood zone, and was one of just 533 cases found nationwide by NBC News.

Among the buildings excluded was this beachfront condo, the Tropic Isles, which collected \$11,562 for its damage from Katrina in 2005, and more than \$250,000 from Ivan.



[See a map from NBC News with details of the condominium projects in Gulf Shores and Ocean Beach.](#) Some of the condo projects have multiple buildings, making more than 60 buildings in all.

The Island Tower's condo association was paying \$143,190 a year into the National Flood Insurance Program. Now that it's been reclassified into a lower-risk flood zone, its premium is \$8,457 a year, a saving of 94 percent, according to records examined by NBC News.

Just down the beach is the Royal Palms, which collected \$58,230 for damages during Katrina, and \$889,730 from Ivan. The Royal Palms was paying \$218,484 a year, but after being changed to a lower-risk flood zone, now pays \$6,845, saving 97 percent.

NBC News found that FEMA has redrawn maps even for properties that have repeatedly filed claims for flood losses from previous storms. At least some of the properties are on the secret "repetitive loss list" that FEMA sends to communities to alert them to problem properties. FEMA says that it does not factor in previous losses into its decisions on applications to redraw the flood zones.

And FEMA has given property owners a break even when the changes are opposed by the town hall official in charge of flood control. Although FEMA asks the local official to sign off on the map changes, FEMA officials told NBC that its policy is to consider the applications just the same, even if the local expert opposes the change.

### **The flood map 'Robin Hood'**

[In a second report on Feb. 19](#), NBC News reported that many of the map changes were obtained by a South Florida company called Flood Zone Correction. It filed successful applications for map changes on behalf of more than 100 coastal condo developers in Alabama, Florida, Texas, South Carolina and Georgia, the company president said. The company, in West Palm Beach, works only for commercial real estate companies, not private homeowners.

The company's founder and president, Dan Freudenthal, said this week, "I have not been contacted by the FBI, but I will gladly cooperate with their investigation into the map change cases because all of those cases are legitimate." In an earlier interview, Freudenthal said he was a "Robin Hood," saving property owners money by correcting inaccurate federal flood maps. After the NBC articles included that self-description, Freudenthal issued a press release: "Just yesterday NBC News started a series of investigative stories about flood insurance, where Flood Zone Correction Inc., (FZC) receives a well-deserved 'Robin Hood' title." The release said NBC News had discovered the company's "heroic achievements."

Do you have information on FEMA's changes to flood maps, or the companies that apply for or evaluate these applications? [Send an email to investigative reporter Bill Dedman](#) at NBC News.

Read part one, "Why Taxpayers Will Bail Out the Rich When the Next Storm Hits," <http://www.nbcnews.com/news/investigations/why-taxpayers-will-bail-out-rich-when-next-storm-hits-n25901>

Read part two, "Meet the Flood Insurance 'Robin Hood' Who Saves Condo Owners Millions," <http://www.nbcnews.com/news/investigations/meet-flood-insurance-robin-hood-who-saves-condo-owners-millions-n26711>

Read part three, "For Average Joes, Fighting FEMA Flood Maps Isn't Easy or Cheap," <http://www.nbcnews.com/news/us-news/average-joes-fighting-fema-flood-maps-isnt-easy-or-cheap-n23871>

First published March 27th 2014, 5:50 am