



Help Protect Your Client's New Home (Created July 2016)

What Real Estate Professionals Need to Know and Say about Flood Risk and Flood Insurance

Buying a new home can be confusing, which is why potential buyers rely on you, their real estate agent, to help them protect their financial investment. Given ongoing flood map changes and recent flood insurance legislation, it is more important than ever to understand a property's flood risk and flood insurance requirements. Knowing and disclosing those requirements will help you complete a sale with fewer unwelcome surprises. This fact sheet will prepare you to discuss flood risk and flood insurance with your clients.

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Understanding Flood Risks

What you should know.

- Floods can happen anywhere, at any time.
- A floodplain, or Special Flood Hazard Area, is land at high risk for major flooding.
- This area is also called a 100-year flood zone. The term can be misleading. It does not mean that a flood will occur only once every 100 years; rather, the area has a 1 percent or greater chance of a major flood occurring in any given year.
- Buildings in a Special Flood Hazard Area have a 1 in 4 chance of experiencing a flood during the lifetime of a 30-year mortgage.
- You can access flood maps in two ways:
 - Contact a community official.
 - Visit the FEMA Mapping Service Center at msc.fema.gov.

Flood Insurance Basics

What you should know.

- FEMA's National Flood Insurance Program (NFIP) enables homeowners, business owners, and renters in participating communities to purchase federally backed flood insurance. Federally backed flood insurance is available to NFIP-participating communities that adopt and enforce floodplain management standards to reduce flood damage.
- Federally backed flood insurance is sold and serviced by more than 80 private insurance companies in more than 22,000 communities nationwide. No matter which company is used, the same rates will be used for the structure.
- Your customer can purchase flood insurance for both the building and its contents. Flood insurance covers residential buildings for up to \$250,000 and non-residential buildings for up to \$500,000. Contents coverage can be purchased for up to \$100,000 for residential buildings and up to \$500,000 for non-residential.
- The typical 30-day waiting period for flood insurance coverage to become effective is waived in a few specific cases, including at the closing of a loan, provided coverage is applied for and purchased on or before closing.
- Flood insurance in excess of the Federal limits might be available through other flood insurance policies backed by private insurers.
- Residents in non-participating communities may be able to purchase flood insurance policies backed by private insurers, if available in their area.

What you should say.

- > Anywhere it can rain, it can flood.
 - > It is important to know your property's flood risk and your insurance options.
 - > Most homeowners insurance doesn't cover floods.
 - > Damage from flooding affects thousands of homes every year—and can be costly.
 - > You should still consider flood insurance even if you are not required to have it.
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What you should say.

- > Talk to your insurance agent about your flood insurance options and how your flood insurance premium might be different from the seller's.
- > Don't wait until a storm approaches to buy flood insurance—policies typically take 30 days to go into effect.
- > Flood insurance is usually available from the agent who sells your homeowners policy.
- > Visit FloodSmart.gov or call 1-800-427-2419 to find an agent.



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For a Home in a High-Risk Area

What you should know.

- Regardless of a State requirement, it's a good idea to notify a home buyer if a property is located in a high-risk area, shown on the flood maps as zones beginning with the letters "A" or "V."
- If the current owner has a flood insurance policy, it can be transferred to the new owner at the time of sale, and if the rate is subsidized, the rate can be transferred.
- If your buyer obtains a mortgage from a federally regulated or insured lender, the lender will require flood insurance before a loan can be closed.
- The lender will notify the buyer prior to closing that the building is at high risk of flooding and that flood insurance is required.
- There are specific construction requirements for homes in high-risk areas. Flood insurance can be costly if a building does not meet those requirements.
- Elevation Certificates tell the height of the building in relation to the height floodwaters are estimated to reach or exceed in a major flood, and they are necessary in most high-risk areas to determine full-risk rates. Buyers can ask sellers to provide an Elevation Certificate, or may be able to obtain one from a community official.
- Some older homes in high-risk areas that were built before a community's first Flood Insurance Rate Map (FIRM) became effective qualify for subsidized rates. These buildings are called pre-FIRM, and their subsidized rates will ultimately be phased out and eliminated.
- Flood map changes in your community might affect flood insurance purchase requirements and could delay a loan closing. Keep current on local flood map changes by contacting your local government.
- Buildings newly mapped into a high-risk flood area initially may be eligible for a lower-cost Preferred Risk Policy (PRP) rate within the 12 months following a map change. However, premiums may increase up to 18 percent each year as part of the premium rate revisions put in place by the Homeowner Flood Insurance Affordability Act of 2014.

For a Home outside a High-Risk Area

What you should know.

- Just a few inches of water can cause tens of thousands of dollars in damage. Encourage your clients to talk to their insurance agent about flood insurance even if they do not live in a high-risk area.
- More than 20 percent of flood insurance claims and one-third of Federal disaster assistance for flooding occur outside of high-risk areas.
- It doesn't have to rain or storm to cause flooding. A flood is defined as an inundation of 2 or more properties or 2 or more acres of normally dry land. Floods can result from, but are not limited to, overflow of inland or tidal waters, runoff of surface waters, breached levees, and mudflows.
- If a property is located outside of mapped high-risk areas, your customers may be eligible for a low-cost Preferred Risk Policy.
- Elevation Certificates are not required outside of high-risk areas.

For More Information

What you should know.

- Visit realtor.org/talking-points/how-to-talk-about-flood-insurance for more information about flood-related issues that could affect your market. You can also download materials for your clients.
- Visit FloodSmart.gov to learn more about flood insurance, flood risk, and tips for homeowners.
- For information about flood map changes, call your city government office or contact your National Flood Insurance Program State Coordinator.
- If you have questions about a local flood map or flood zone determinations, contact a FEMA mapping specialist at 877-336-2627.

What you should say.

- > If your lender is federally regulated or insured and the home is in a Special Flood Hazard Area, you are required to purchase flood insurance before the loan closing.
- > Your lender will notify you if the building is located in a Special Flood Hazard Area and the amount of insurance required.
- > Talk to your insurance agent about your options for flood insurance even if your lender doesn't require coverage.
- > If the sellers have a flood insurance policy, ask them to transfer it to you.
- > Request an Elevation Certificate from the seller, and provide it to your insurance agent to find out how much you will pay for flood insurance.

What you should say.

- > Floodwaters don't stop at a line on a flood map. If you live outside of a high-risk area, you still have some risk of flooding.
- > More than 20 percent of flood insurance claims come from outside of mapped high-risk areas.
- > Flood insurance is more affordable than you might think. You could be eligible for a low-cost Preferred Risk Policy.

What you should say.

- > There are easy steps you can take to reduce the risk of flooding to your home. Contact your local floodplain manager for more information.
- > Visit FloodSmart.gov to learn more about flood risk, flood insurance, and the steps you can take to protect your home and finances against flood damage.



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