



*National Flood Insurance Program*

# Questions & Answers About Flood Insurance for Real Estate Professionals



# FEMA

## **Why should I talk to my clients about flood insurance?**

If the house is in a designated Special Flood Hazard Area (high-risk area), then federally regulated or insured lenders must, by law, require your client to buy flood insurance as a condition of their loan. Not only may your client be required to purchase flood insurance, but homeowners' insurance policies typically do not cover floods. Also, it is good business that your client protect their new investment.

If your client is not required to buy flood insurance, it is good to recommend it. A home does not need to be near water to flood. Floods are caused by many perils including storms, melting snow, hurricanes, water backup due to inadequate or overloaded drainage systems, broken water mains, and changes to land as the result of new construction.

It is not just high-risk areas that flood. In fact, more than 20 percent of all NFIP flood claims come from outside mapped high-risk areas.

Relying on Federal Disaster Assistance is not the best answer. Availability of Federal Disaster Assistance is dependent upon a Presidential disaster declaration.

NFIP flood insurance responds to covered losses even though a disaster declaration has not been made.

Federal Disaster Assistance is often a loan that must be repaid with interest, in addition to existing mortgages, other loans, and debts. Generally, NFIP flood insurance claim payments do not need to be paid back.

## **Who can purchase flood insurance?**

Anyone in a community that participates in the NFIP can purchase building and/or contents coverage, with few exceptions. Some Coastal Barrier Resources System (CBRS) areas, Otherwise Protected Areas (OPAs), and buildings principally below ground or entirely over water may not be eligible for NFIP flood insurance coverage.

## **How do clients obtain a flood insurance policy?**

Your client can purchase NFIP flood insurance from the NFIP Direct or any one of the many companies writing and servicing flood insurance on behalf of FEMA. NFIP flood insurance can only be purchased through a licensed property and casualty insurance agent.

The NFIP flood insurance rules and regulations are the same, regardless of where the coverage is purchased, and therefore the premium for an individual risk should also be the same.

If the seller of the property currently has an NFIP flood insurance coverage on the building, that policy can be assigned to the buyer at the time of property closing.

If the mortgage company requires flood insurance as a condition of the loan and the borrower has an escrow account for other insurance premiums, the lender must escrow flood insurance premiums, too — making it easy

to ensure that your client will not get caught without flood insurance when it is needed the most.

### **How much will flood insurance cost?**

Flood insurance premiums vary, depending upon the date the building was constructed and the degree of risk for flooding. To obtain a quote, please have your client contact their insurance agent. If the buyer does not have an agent, they may call 1-888-435-6637 for assistance in locating an agent selling NFIP flood insurance in their area.

In order to obtain a flood insurance quote, your client may need to obtain an Elevation Certificate (EC). Do you know where an existing EC may be found? Try the local building permit or planning and zoning office, the current owner, or flood insurance agent. If all else fails, the buyer may need to purchase a new EC from a licensed land surveyor, engineer, or architect. Should you or your client need more information about the EC, how it is used, and why it is needed, please visit the FEMA media library at the following website: <http://www.fema.gov/media-library/assets/documents/32330>.

### **When is the best time to buy flood insurance coverage?**

Now! There is typically a 30-day waiting period from the time of policy application and payment to the policy effective date. However, there are exceptions to this rule. For example, if the initial purchase of NFIP flood insurance is done so in connection with a loan closing, there is no waiting period.

### **What is a Special Flood Hazard Area (SFHA)?**

These are the areas with the highest risk for floods and are shown on Flood Insurance Rate Maps as Zones, beginning with the letter A or V. Over a 30-year mortgage, homes in these zones have a 26-percent chance of experiencing a flood.

### **How will I know if a building is in an SFHA?**

Your clients can check with their local community or visit [www.floodsmart.gov](http://www.floodsmart.gov) to learn more about their flood risk. Copies of flood maps can be viewed and downloaded from <http://msc.fema.gov>. Lenders will notify borrowers if flood insurance is required as a condition of their mortgage loan.

### **Am I legally liable if I do not disclose the fact that a structure is in a high-risk flood area?**

Many states have disclosure laws for real estate professionals that address all natural hazards, including flood. Check with your local Board of Realtors for disclosure laws.

You can better help your client understand flood risk by learning more about it yourself. Go the extra mile. Visit FEMA's consumer website at [www.floodsmart.gov](http://www.floodsmart.gov) to learn more about flood risk and NFIP flood insurance. Be sure to have your client complete the "Flood Risk Profile and the Cost of Flooding tool"!

For more information about NFIP flood insurance  
contact your insurer or agent, or call  
**1-800-427-4661**

To locate an insurance agent selling  
flood insurance in your area, call  
**1-888-435-6637**

If you are deaf/hard of hearing or have a  
speech disability and use relay services  
call 711 from your TTY or use VRS to call  
**1-800-638-6620**