



Help Protect Your Customer's New Home

What 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 Realtor, to help them protect their financial investment. Flood risk and flood insurance are important topics that homebuyers should consider early in the home buying process.

Understanding Flood Risks

What you should know.

- Floods can happen anywhere, at any time.
- A floodplain, or Special Flood Hazard Area, is land at a high risk of a major flood.
- 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.
- On average, properties 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 a number of ways:
 - Contact a community official
 - Visit msc.fema.gov
 - Call 1-800-358-9616

Flood Insurance Basics

What you should know.

- FEMA's National Flood Insurance Program enables homeowners, business owners and renters in participating communities to purchase federally backed flood insurance.
- Federally backed flood insurance is available to communities that adopt and enforce floodplain management standards to reduce flood damage.
- Flood insurance is sold and serviced by approximately 90 private insurance companies in more than 21,800 communities nationwide. No matter which company is used, the price for a given level of coverage remains the same.
- Your customer can purchase flood insurance for both the building and its contents. Flood insurance covers residential buildings up to \$250,000 and non-residential up to \$500,000. Contents coverage can be purchased up to \$100,000 for residential buildings and \$500,000 for non-residential.
- The typical 30-day waiting period for flood insurance coverage to become effective is waived at the closing of a loan or if there has been a change to the Flood Insurance Rate Map (FIRM).
- Flood insurance in excess of the \$250,000 federal limit may be available through other insurance companies.
- Residents in non-participating communities can purchase flood insurance from private insurers.

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 it can be costly.
- > Even if you aren't required to purchase flood insurance, it could be a good option because your home could still be at risk for flooding.

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.
- > Flood insurance usually is available from the agent who sells your homeowners policy.
- > Visit FloodSmart.gov or call 1-800-427-2419 to find an agent and learn how to prepare for floods.

For a Home in a High-Risk Area

What you should know.

- Whether or not your state requires disclosure, it's a good idea to notify a homebuyer if a property is located in a Special Flood Hazard Area.
- 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.
- Lenders will notify buyers prior to closing if a building is in a high-risk flood area and if the community participates in the NFIP.
- There are specific construction requirements for homes in high-risk areas. Flood insurance can be costly if a building does not meet those requirements.
- Subsidies are being eliminated. Some older homes in high-risk areas that were built before the community adopted the first FIRM qualified for subsidized rates. When a home is sold, the new owner will be required to pay the full-risk rate.
- Elevation Certificates are required in high-risk areas to determine full-risk rates. Buyers can ask sellers to provide an Elevation Certificate.
- Flood map changes in your community may affect flood insurance purchase requirements, and could delay a loan closing. Keep current on local flood map changes by contacting your local government.

Flood Protection Without a Requirement

What you should know.

- Lenders might not require flood insurance outside of SFHAs, but your customers should still consider it.
- More than 20 percent of flood insurance claims and one-third of disaster assistance for flooding occur outside of mapped high-risk areas.
- It doesn't have to rain to flood. A flood is an inundation of two or more properties or two 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, mudflow, or even backed-up storm drainage systems.
- 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.
- Flood insurance premiums in moderate- to low-risk areas are not subsidized.

For More Information

What you should know.

- Visit www.Realtors.org for more information about flood-related issues that could affect your work. You can also download materials for your customers.
- 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. A list of state coordinators can be found at: www.floods.org/index.asp?menuID=274&firstlevelmenuID=185&siteID=1.

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 coverage isn't required by your lender.
- > 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. You may not be required to buy flood insurance, but you should consider financially protecting your new home.
- > More than 20% of flood insurance claims come from people outside of mapped high-risk areas.
- > Flood insurance is more affordable than you may think. You may 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 government 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.