For more information about the NFIP and flood insurance, call

1-800-427-4661

or contact your insurance company or agent.

For an agent referral, call

1-888-435-6637

TDD 1-800-427-5593

http://www.fema.gov/business/nfip

http://www.floodsmart.gov

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(9/09)

National Flood Insurance Program

Questions & Answers About Flood Insurance for Real Estate Professionals

FEMA

Questions & Answers About Flood Insurance for Real Estate Professionals

Why should I alert my clients about the importance of purchasing flood insurance?

Your client may be required to purchase flood insurance. Homeowners insurance policies do not cover flooding. If the house is in a designated Special Flood Hazard Area (high risk), the mortgage lender must, by law, require your client to buy flood insurance as a condition for receiving a Federally backed loan.

But, even if your client is not required by law to buy flood insurance, you should recommend it because your client does not need to live near water to be flooded. Floods are caused by storms, melting snow, hurricanes, and water backup due to inadequate or overloaded drainage systems, dam or levee failure, new construction, etc.

It is not just high-risk areas that are flooded. Nearly 25-percent of all flood insurance claims come from medium- or low-risk flood areas.

Relying on Federal disaster assistance is not the answer, either. Federal disaster assistance is available only if the President declares a disaster. Even then, disaster assistance is often a loan that must be repaid, with interest, in addition to mortgages, other loans, and credit card debts.

Advise your client that flood insurance pays even if a disaster is not declared.

Who can purchase flood insurance?

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

How do clients obtain a flood insurance policy?

Your client can purchase National Flood Insurance from private insurance companies and agents. In fact, your client may be able to purchase it with a credit card. Currently, there are about 90 insurance companies that sell National Flood Insurance coverage, in addition to some 60,000 independent insurance agents.

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

If the mortgage company requires flood insurance as a condition of the loan, the lender may escrow flood insurance premiums – making it easy to ensure that your client will not get caught without flood insurance when a flood threatens his or her home.

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 get a quote, please contact your insurance agent. If you do not have an agent, you can contact the National Flood Insurance Program for a referral at 1-800-427-4661.

When is the best time to buy flood insurance coverage?

NOW!! There is a 30-day waiting period for flood insurance coverage to become effective. If flood insurance is purchased in connection with a mortgage loan, there is no waiting period.

What is a Special Flood Hazard Area (SFHA)?

These are the areas with the highest risk for flooding, shown on the Flood Insurance Rate Maps as Zones A or V.

Over a 30-year mortgage, homes in these zones have a 26-percent chance of being flooded.

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

Darkly shaded areas on Flood Insurance Rate Maps depict high-risk flood areas. Check with your local community or, to order copies of maps of your area, call 1-800-358-9616 or go to http://msc.fema.gov.

Lenders will notify borrowers if flood insurance is required as a condition of the mortgage loan (National Flood Insurance Reform Act of 1994).

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.