

## Top Ten Facts every LENDER needs to know about the National Flood Insurance Program (NFIP)

1. Flood insurance is mandatory for buildings in FEMA-identified high risk flood areas, which are called Special Flood Hazard Areas (SFHAs). This requirement applies to buildings located in SFHAs on FEMA's flood maps, including manufactured (mobile) homes and commercial buildings. Whenever you make, increase, extend, or renew a mortgage, home equity, home improvement, commercial, or farm credit loan in an SFHA, you must require flood insurance. You may require flood insurance on all loans, even those outside SFHAs.
2. You must ensure that flood insurance coverage is maintained for the term of all the loans on a building. Escrowing flood insurance premiums can help you meet this requirement, and it helps protect you and your borrowers from uninsured flood losses.
3. Flood zone determinations are required to establish whether a building is located in an SFHA. Document your findings on the required Standard Flood Hazard Determination Form (SFHDF). The SFHDF is available on the FEMA website at <http://www.fema.gov/pdf/nfip/sfhdf.pdf>.
4. Know the amount of flood insurance coverage to require. The required coverage is the lesser of one of the following:
  - The maximum amount of NFIP flood insurance coverage available
  - The outstanding principal balance of the loan
  - The value of the building only. (Land values are not covered under the NFIP.)
5. You must notify borrowers in writing of the requirement to buy flood insurance for new and existing loans. New Loans: if you determine that a home or business is in an SFHA before loan closing, you are required to notify the borrower within a reasonable time (defined by Federal regulation as at least 10 days) prior to the loan closing. Existing Loans: if you determine that an existing loan for a home or business is in an SFHA, you are also required to notify the borrower within a reasonable time. The law provides for force placement of flood insurance 45 days after the borrower is notified of deficient flood insurance coverage. The NFIP's Mortgage Portfolio Protection Program (MPPP) helps you force place flood insurance when necessary.
6. The law requires you to escrow flood insurance premiums for homes in SFHAs when taxes, other forms of insurance, or any other payments are escrowed. Consider escrowing flood insurance premiums for all loans, including loans on non-residential improved real estate to help maintain flood coverage.
7. There is no waiting period for flood insurance to go into effect when it is purchased in connection with making, increasing, renewing, or extending a loan. In most other instances, there is a 30-day waiting period before flood insurance goes into effect. For more information about the waiting period and its exceptions, see Policy Issuance 5-98 on the FEMA website at <http://www.fema.gov/nfip/pi598.shtm>.
8. Notify the insurance company or agent when the lender or servicer of a loan changes. Notification of a change of lender or servicer must be within 60 days after the effective date of the change.
9. For more information about the mandatory purchase of flood insurance requirements, and other related topics, read the *Mandatory Purchase of Flood Insurance Guidelines*. For a copy, call 1-800-480-2520 and request document F-083, or access the book on the FEMA website at <http://www.fema.gov/nfip/mpurfi.shtm>.
10. Flood insurance and the mandatory purchase laws help protect your investments, as well as your borrowers, against uninsured flood losses. Floods happen all over the country. Make sure you and your borrowers are protected from uninsured flood losses for their homes, businesses, and belongings by following these requirements. It is just good business.



### HOW TO REACH US

*On the Web:*  
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*SEMSWA has managed stormwater runoff and eliminated sources of water pollution since 2006.*

## INFORMATION PROVIDED BY SEMSWA

### A POCKET GUIDE FOR REAL ESTATE AND INSURANCE AGENTS



## Education Series





## SEMSWA Services

The Southeast Metro Stormwater Authority (SEMSWA) provides stormwater management services essential to the protection, preservation, and enhancement of our neighborhoods, community, and natural resources through:

- Flood Control
- Water Quality
- Construction
- Maintenance
- Education

SEMSWA encourages property owners to carry flood insurance even if the structure is not shown in the floodplain. Providing property owners with as much information as possible will help them make an informed decision on whether or not to purchase flood insurance.

SEMSWA answers questions related to the Federal Emergency Management Agency (FEMA) flood hazard maps for residents of Centennial.

### We can help:

- Provide flood hazard maps
- Read flood hazard maps
- List of what is required per the map zone
- List of permits required
- Resources

## What Does SEMSWA Provide?

- Evaluation and comment on whether property and structures are floodprone (a referral to FEMA may be required for an official determination)
- A map of the floodplain in relation to the structure(s) and/or property
- Review of elevation certificates for insurable structures built within the floodplain
- Information on the mandatory purchase of flood insurance for insurable structures
- Information on FEMA's flood hazard maps and the National Flood Insurance Program
- The best available floodplain information



While SEMSWA cannot make official determinations as to whether a property or structure is located in a FEMA-designated floodplain for insurance purposes, SEMSWA can provide property owners with the best available information on hand. In order to be officially removed from the FEMA-designated floodplain, residents will need documentation from FEMA in the form of a Letter of Map Amendment (LOMA) or Letter of Map Revision based on fill (LOMR-F), stating that the structure or property is no longer located within the FEMA floodplain.

In some circumstances, a LOMA or LOMR-F has already been completed for the property in question. By logging into FEMA's Mapping Information Platform and reviewing the previously completed LOMAs and LOMR-Fs for the community, SEMSWA can determine if one has been prepared. In addition, FEMA's Map Service Center website contains digital copies of completed LOMA and LOMR-F determination documents.

## 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, federally regulated or insured lenders must, by law, require flood insurance as a condition for the loan.

Even if your client is not required by law to buy flood insurance, you should recommend it. A home does not need to be near water to be damaged by a flood. Floods are caused by storms, melting snow, hurricanes, water backup due to overloaded drainage systems, broken water mains, and new construction.

It is not just high-risk areas that are flooded. On average, 25-30 percent of all flood insurance claims come from medium or low-risk flood areas. Relying on Federal disaster assistance is not the answer. Federal disaster assistance is only available if the President declares a state of 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 National Flood Insurance Program (NFIP) can purchase building and/or contents coverage, with a few exceptions. Buildings in Coastal Barrier Resources areas, Otherwise Protected Areas (OPAs), and buildings principally below ground or entirely over water are not eligible for NFIP flood insurance.

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

Your client can purchase NFIP flood insurance from private insurance companies and independent insurance agents. In fact, your client may be able to purchase it with a credit card. Currently, there are approximately 90 insurance companies

that sell NFIP insurance coverage, as well as nearly 60,000 independent agents.

If the seller of a 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 on the date the building was constructed and the degree of the area's risk for flooding. To get a quote, your clients can contact their insurance agent. If they do not have an agent, you can contact the NFIP for a referral at 1-888-435-6637.

### 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 are Special Flood Hazard Areas?

These are the areas with the highest risk for flooding, shown on 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 a SFHA?

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

Check with SEMSWA or visit [www.floodsmart.gov](http://www.floodsmart.gov) to evaluate your flood risk. Copies of flood hazard maps can be downloaded at <http://msc.fema.gov>.

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

Yes. Colorado has a disclosure laws for real estate professionals that address all natural hazards, including flood.

