



### National Flood Insurance Program: A Homebuyers' Guide

*Floods are the most common and costly natural disaster in the United States, so flooding is a risk you, as a new homebuyer, will want to address. Having a flood insurance policy is an excellent way to protect your investment in a new home. Still, the risk of flooding is not always top-of-mind when purchasing a property.*

*Factors like Climate Change are increasing the ramifications and costs associated with floods, and the National Flood Insurance Program is changing to meet these needs. This means it is more important than ever for homebuyers to understand a building's flood risk and flood insurance requirements. Knowing those requirements will help homebuyers purchase a residential property with fewer unwelcome surprises.*

**A property does not have to be considered at high-risk for flooding for the homebuyer to be able to purchase flood insurance.**

Flood insurance is available nearly everywhere. Depending upon where you live, you may qualify for a low-cost Preferred Risk Policy. Check with an insurance agent for details.

**In high-risk areas, most mortgage lenders will require flood insurance.**

Federal law mandates that federally regulated or insured lenders require flood insurance coverage to the amount of the loan in areas at higher risk for floods. These areas are shown as zones beginning with the letters "A" or "V" on Flood Insurance Rate Maps (FIRMs).

**In high-risk areas, most property owners pay full-risk rates for flood insurance.**

Premiums vary based on building elevation, the amount of coverage, the deductible chosen, and other factors. Insurance costs for buildings in coastal areas subject to wave action are likely to be higher. An insurance agent can provide an exact quote.



**In high-risk areas, some properties will continue to qualify for lower subsidized rates.**

However, rates will increase over time. The subsidies apply to older homes and businesses built before the community's first FIRM became effective and related local building standards were passed. These buildings are called "pre-FIRM." Primary residences will retain their subsidized rates but increase up to 25 percent a year until full-risk rates are in effect. The subsidized rates and policy can be transferred to the new owners.

**Calculating the full-risk rate requires an Elevation Certificate.**

It tells the height of the building's lowest floor in relation to the height floodwaters are estimated to reach or exceed in a major flood. The current owner may already have one, or the community or county may have one on file.

**New flood maps issued nationwide will show that some risks have changed.**

If new maps are planned for your community, you'll want to stay abreast of the schedule and the extent of the changes. The grandfathering option continues to be in effect. It allows a property shown at higher risk on the new map to retain its previous flood insurance rating classification—and allows the rating to convey to the new owner.

For more information about grandfathering, visit [www.FEMA.gov/media-library/assets/documents/16686](http://www.FEMA.gov/media-library/assets/documents/16686).

## Knowing Your Flood Risk & Options Makes Good Sense

Flood risk should be disclosed (many states require it) before or at the time of a home sale. This is because the risk of flood and cost of flood insurance can have an impact on a buyer's decision.

Other things to consider:

- If the seller has a flood insurance policy, they may be able to convey that policy over to the new owner. This policy may be less expensive than purchasing a new policy.
- It's also important to know if local flood map changes are planned, and if so, when new maps may become effective.
- The buyer should inquire if there is an Elevation Certificate for the property. This document helps determine flood risk and cost. It can cost hundreds, even thousands of dollars, to hire a surveyor to create one, so being able to use an existing one is helpful.
- Find the flood zone for a specific address at [www.msc.fema.gov](http://www.msc.fema.gov). Learn more about flood insurance at [www.FloodSmart.gov](http://www.FloodSmart.gov).

## Additional Information

Property owners who live in communities participating in the NFIP can purchase affordable protection to insure against flood losses. Since 1978, the NFIP has paid nearly \$52.5 billion dollars in flood insurance claims that have helped hundreds of thousands of families and businesses recover from flood events.

To participate in the NFIP, a community must adopt and enforce floodplain management ordinances that meet or exceed the minimum requirements of the Program. These requirements are intended to prevent loss of life, loss of property, reduce taxpayer costs for disaster relief, and minimize economic and social hardships that result from flooding. The specific requirements that a community must adopt depend on the type of flood hazard faced by the community.

The NFIP has an arrangement with private insurance companies to sell and service flood insurance policies. See a list of those companies at: [http://www.fema.gov/wyo\\_company](http://www.fema.gov/wyo_company). If a flood insurance policy from the NFIP is not sufficient, homebuyers may consider purchasing supplemental flood insurance through private insurers.

A common misconception is that homeowners' policies cover flood damage. In fact, most homeowner and business multi-peril policies do not cover damage caused by floods.

Learn more about flood insurance by contacting your insurance agent, or find one at [www.floodsmart.gov/floodsmart/pages/choose\\_your\\_policy/agent\\_locator.jsp](http://www.floodsmart.gov/floodsmart/pages/choose_your_policy/agent_locator.jsp).

## Everyone Needs Flood Insurance

While flood insurance is not mandatory for homeowners outside of a high-risk area, anyone can be financially vulnerable to floods. People outside of high-risk areas file more than 20 percent of NFIP claims and receive one-third of disaster assistance for flooding. Residential and commercial property owners who are not located in higher areas should ask their agents if they are eligible for the Preferred Risk Policy, which provides affordable flood insurance protection and peace of mind, starting as low as \$137 a year in 2016.