

RE107RC19 – Understanding flood zones in real estate

1. Understanding FEMA (Federal Emergency Management Agency) and the NFIP (National Flood Insurance Program), and how it affects the Real Estate Transaction
 - a. Brief History of the NFIP-
 - i. Talk about the National Flood Insurance Act of 1968.
 - ii. Establish the regulatory nature of the NFIP
 - iii. describe how it helps prevent loss.
 - b. Define the Flood peril as taken from the NFIP definition
 - c. Explain the difference between a low risk mapped flood zone and a high risk Special Flood Hazard Area.
 - d. Explain how the flood zones are indicated on the map.
 - e. Explain what the lettering and terminology means.
 - f. Talk about differentiation between Pre & Post FIRM (Flood Insurance Rate Map) structures and how it affects insurance premiums
 - g. Flood maps
 - i. Who creates them/ updates and how the community is involved
 - ii. How the flood map is used for lender regulations and mandatory purchase of flood insurance requirements
 - h. Go over Lender requirements for the real estate transaction and what steps lenders are required to take during the mortgage process.
 - i. Show graphic of federal form and resources.
 - j. Lenders and flood zones
 - i. Explain the lender requirements for reporting the flood zone data and where they get the reports from.
 - ii. Show why the reports must be correct and what the potential exposure could be to errors.
2. Flood insurance
 - a. General info
 - i. History of Flood Mapping in the United States
 - ii. Lender requirements; how much is required by federal statute.
 - iii. Go over Mass 209 CMR 57.00. Mass banking law requiring reduced flood insurance coverage and how it can affect the customer during the real estate transaction.
 - iv. What is covered, for how much
 - b. NFIP vs private insurance.
 - i. What are the differences in coverage.
 - ii. Can lenders accept the private insurance policies?
 - iii. What are the risks/benefits
 - c. Other source of flood insurance
 - d. What impacts the cost of flood insurance
 - i. Flood zone risk, Age of structure, type of structure & elevation of structure
Potential mitigation of flood premiums. Flood Venting, elevating structures and utilities.

- ii. Claim history
 - iii. Grandfathering possibilities
 - 1. Post-FIRM built in compliance vs Continuous coverage grandfathering.
 - iv. Elevation certificates-
 - 1. what is the purpose and what does it convey.
 - 2. Flood insurance rating and
 - 3. local zoning use/requirements.
3. Flood zones and the real estate licensee
- Caution: as a real estate licensee, do not represent yourself as a flood expert, but always refer the client to the appropriate experts*
- a. Assisting a seller when listing – information to gather and disclosures
 - i. Boundaries
 - ii. Are there options to mitigate the impact of the flood zone designation
 - 1. Elevation certificate
 - 2. Flood venting
 - 3. Letter of Determination Review
 - 4. LOMA (Letter of Map Amendment)
 - iii. Claim history
 - iv. Insurance info/ transferability
 - b. Assisting a buyer
 - i. Is the property impacted by a flood zone?
 - ii. What information can be obtained from the seller?
 - iii. Insurance questions:
 - 1. Availability
 - 2. Coverage
 - 3. Cost
 - c. Expert resource for the real estate licensee
 - i. Building Department
 - ii. FEMA
 - iii. Insurance agent
 - iv. Oliver Maps
 - d. Online resource
 - i. www.floodsmart.gov
 - ii. www.fema.gov/nfip
 - iii. www.msc.fema.gov

Acronyms associated with flood zones:

FEMA – Federal Emergency Management Agency

NFIP – National Flood Insurance Program

FIRM – Flood Insurance Rate Map

SFHA – Special Flood Hazard Area

PRP – Preferred Risk Policy

LOMA – Letter of Map Amendment

BFE – Base Flood Elevation