

RE107RC22:

Flood Zones for Real Estate Licensee: Understanding flood zones in real estate

Updated from RE107RC19 - Understanding flood zones in real estate

Course Objective:

To familiarize real estate licensees with the National Flood Insurance Program as it relates to real estate transactions, including understanding of the following knowledge blocks: FEMA flood maps, history of the NFIP, NFIP lender regulations, insurance requirements and implications, mitigation actions that may affect an owner's flood insurance premium, other resources for flood risk information.

Real estate licensees should be careful not to advise the consumer in areas beyond the scope of their real estate license. It is advisable to provide the consumer with a list of experts in the fields of flood insurance, FEMA, or the Municipalities to assist them

Outline

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 (these are no more- explain)

LOMA – Letter of Map Amendment

BFE – Base Flood Elevation

1. The National Flood Insurance Program
 - a. Why a federal flood insurance program?
 - b. Brief History of the NFIP
 - i. National Flood Insurance Act of 1968.
 - ii. Establish the regulatory nature of the NFIP
 - iii. Describe how it helps prevent loss.
 - c. Define the flood peril as taken from the NFIP definition
 - d. Flood maps- who creates them/ updates and how the community is involved
 - e. History of Flood Mapping in the United States
2. Flood zones for the real estate licensee
 - a. Explain where to find information regarding the difference between a low-risk and a high-risk Special Flood Hazard Area
 - b. Explain how the flood zones are indicated on the map.
 - c. Explain where to find information regarding the lettering and what terminology means.
 - d. How the flood map is used for lender regulations and mandatory purchase of flood insurance requirements

3. Understanding the NFIP's relationship to the real estate transaction
 - a. Understanding how FEMA (Federal Emergency Management Agency) and the NFIP (National Flood Insurance Program) affect the Real Estate Transaction
 - b. Inform consumers that lenders have requirements for the real estate transaction and what steps lenders are required to take during the mortgage process.
 - c. Nonparticipating Communities
 - d. Show federal forms and resources (examples listed at the end)
 - e. Explain the lender requirements for reporting the flood zone data and where they get the reports from.
 - f. Show why the reports must be correct and what the potential exposure could be to errors.
 - g. Inform the consumer of 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. <https://www.mass.gov/doc/209-cmr-57-flood-insurance/download>
4. Flood Insurance
 - a. Talk about Risk Rating 2.0
 - 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 sources of flood insurance
 - d. Talk about differentiation between Pre & Post FIRM (Flood Insurance Rate Map) structures and how it **NO LONGER** affects insurance premiums (significant change from prior to risk 2.0)
 - e. What impacts the cost of flood insurance
 - i. History of flooding-- Claims history
 - ii. (Grandfathering possibilities) Post-FIRM built in compliance vs Continuous coverage grandfathering.
5. Assisting Your Clients
 - a. Assisting a buyer--
 - i. Resources for the buyer to determine if the property is impacted by a flood zone?
 - ii. What information can be obtained from and questions to ask the seller?
 - iii. Remind the buyer to check their own requirements/costs and not rely on what the seller's requirements/ costs are
 - iv. Insurance questions: Availability, Coverage, Cost
 - b. Assisting a seller
 - i. Flood zone determination
 - ii. Elevation certificates/ surveys
 - iii. Past remediation work/ claims filed
 - iv. Insurance transferability

- c. Elevation certificates-
 - i. what is the purpose and what does it convey;
 - ii. flood insurance rating
 - iii. local zoning use/requirements.
- 6. Flood Mitigation
 - a. Impact of mitigation on flood insurance premiums
 - b. Are there options to mitigate the impact of the flood zone designation?
 - i. Flood venting
 - ii. Elevation of M&E (machinery & equipment servicing the building)
 - iii. LOMA (Letter of Map Amendment)
- 7. Expert resources for the real estate licensee
 - a. Building Department
 - b. State NFIP Coordinator
 - c. FEMA
 - d. Insurance agent
 - e. MassMapper
 - f. Other mapping resources
 - g. Other online resources
 - i. www.floodsmart.gov
 - ii. www.fema.gov/nfip
 - iii. www.msc.fema.gov

*This information is deemed accurate as of its writing, the real estate licensee should always encourage the consumer to see the most recent data.