

## FLOOD INSURANCE REQUIREMENTS

**IMPORTANT:** If the flood maps indicate the property is located in an SFHA and there is a dispute, the lender must obtain:

A final Letter of Map Amendment (LOMA) or a final Letter of Map Revision (LOMR) from FEMA that removes the property from the SFHA

### 1. Flood Insurance Requirements

**An escrow account is required for all flood insurance policy premiums, regardless of whether escrow is waivable for other escrowed items.**

#### Acceptable Flood Insurance Policies:

- Flood insurance should be under a standard policy issued under NFIP (National Flood Insurance Program)
- A SFIP (Standard Flood Insurance Policy) policy written by one of the approved Write Your Own property and casualty insurance companies. Company lists can be found at: [https://www.fema.gov/wyo\\_company](https://www.fema.gov/wyo_company)
- A private insurance policy based on the following requirements:
  - Insurance company must meet licensure requirements
  - Coverage must be at least as broad as NFIP, evidenced by a letter from the insurance company stating that the coverage is “at least as broad” as the coverage of an NFIP policy.
  - The policy must include 45-day cancellation/nonrenewal notice, information about NFIP coverage, mortgage interest clause similar to FEMA’s Standard Flood Insurance Policy (SFIP), 1-year legal recourse Clause, and cancellation provisions as restrictive as SFIP.

#### Dwelling Coverage:

Minimum coverage is the LESSOR of: 100% of the Insurable Value of Improvements as determined by the amount of insurance listed on the hazard policy (includes master hazard for condos) for dwelling coverage; OR the NFIP maximum for the particular type of building

- 1) Single Family 1-4 Unit = \$250,000
- 2) Attached Condos and PUDs with master insurance policies (\$250k multiplied by number of units in the building)

#### Outbuildings:

Flood insurance is not required on any structure that (1) is part of a residential property, (2) is detached from the primary residential structure, **and** (3) does not serve as a residence.

\_\_\_\_\_(Y/N) Has the borrower indicated that the structure will be used as a Residence; does the structure have bathroom, kitchen, and sleeping facilities; or is the structure traditionally used as a residence (e.g., guest house)?

- i. If the answer is yes, for any of the above questions, flood insurance is necessary on the detached piece of property.

If detached property is used as a residence and its value is over \$5,000, it will require separate coverage.

OR

\_\_\_\_(Y/N) Is the structure traditionally used for some purpose other than a residence  
(e.g., green house, horse barn, tool shed)?

- i. If the answer is yes to the above question, flood insurance is not required on the detached portion of the property.

\_\_\_\_ **Deductible**

Maximum is \$5,000 on Conventional and \$1000 on Gov't Insured Loans (FHA, VA, USDA) \*\*\* or the maximum allowed by NFIP as follows:

a. Full risk Policy

i. If building coverage does not exceed \$100,000, then minimum deductible is \$1000; however for coverage in excess of \$100,000, the minimum is \$1,250. b. Pre-Firm Subsidized Policy

- i. If building coverage does not exceed \$100,000, then minimum deductible is \$1500; however for coverage in excess of \$100,000, the minimum is \$2,000.

\_\_\_\_ **Flood Zone**

Must be identified on policy (must match Flood Cert)

\_\_\_\_ **Other Requirements**

- \_\_\_\_ Borrower name is correctly reflected
- \_\_\_\_ Property address matches USPS, Appraisal and System
- \_\_\_\_ Policy number is shown
- \_\_\_\_ Correct Loan Number is shown
- \_\_\_\_ Correct Mortgage Clause
- \_\_\_\_ Effective date is closing date (can be a few days prior)
- \_\_\_\_ Expiration date – 1 year policy paid needed (refinances need 60 days coverage at closing)
- \_\_\_\_ Premium – does not exceed amount used to qualify borrower
- \_\_\_\_ Paid receipt (evidence of policy being paid is also needed for refinances)
- \_\_\_\_ For Flood Insurance ONLY- Can have the application rather than policy/dec page