

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
- 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