

Understanding Flood Map Modernization

WHAT REAL ESTATE PROFESSIONALS NEED TO KNOW



IDENTIFYING THE RISK

Because flooding is the number one natural disaster in the U.S., it is important that property owners know their flood risk. The Federal Emergency Management Agency's (FEMA's) flood hazard maps, known as Flood Insurance Rate Maps (FIRMs), are an important tool for identifying flood risks and also for guiding communities in their floodplain management decisions.

FEMA's Flood Map Modernization (Map Mod) program is an effort to transform the Nation's flood maps into a more reliable, easier-to-use, and readily available product. As a result, up-to-date flood hazard mapping data will be available to assist communities in land development decisions. This information enables businesses and home owners to make more informed financial decisions to protect their property.

UNDERSTANDING THE EFFECTS OF MAP CHANGES

Real estate professionals play an important role in educating their clients, both buyers and sellers, about a property's current flood risk. Real estate professionals need to understand the changes in the new maps to properly communicate a property's flood risk and any implications to the Federal flood insurance requirements.

Properties Already Mapped in a High-Risk Flood Zone

Home and business owners should disclose whether a property is or will be mapped into a high-risk flood zone (known as a Special Flood Hazard Area [SFHA] and shown on the flood maps with letters beginning with "A" or "V") when selling their property. Buildings in these areas are required to carry flood insurance for loans taken through federally regulated or insured lenders. To determine a property's existing flood risk, the real estate professional can locate the property on the community's current effective FIRM. Contact community officials for more information on viewing the effective FIRMs. Effective FIRMs can also be viewed on-line at FEMA's Map Service Center by visiting <http://msc.fema.gov>.

Properties Being Mapped into a High-Risk Flood Zone

It is crucial for both real estate professionals and property owners to know if the property is currently in a low- or moderate-risk area (shown on the FIRMs as a "B", "C", or "X" zone) and will be mapped into a high-risk zone. When a community is undergoing a remapping (what FEMA calls a Flood Insurance Study, or FIS), FEMA releases the preliminary FIRMs for public review. Real estate professionals should review the FIRMs to determine if there will be a change in a property's flood risk and when the change will become effective. Knowing

FLOOD RISKS ARE CHANGING: KNOW THE INSURANCE OPTIONS

Some properties will be mapped into high-risk zones where flood insurance is required by most lenders. Flood insurance costs may increase when the map changes reflect this higher risk. The National Flood Insurance Program (NFIP) provides "grandfathering" rules as a potential lower cost option. Real Estate Professionals should refer clients to an insurance agent for a full explanation of insurance options, such as grandfathering and the Preferred Risk Policy.

Other properties will be mapped into low- or moderate-risk zones where flood insurance is optional but recommended. While the risk may be reduced, it is not eliminated. In 2006, over 30 percent of all flood claims occurred in these zones. The NFIP provides for an easy conversion of an existing policy to a lower-cost Preferred Risk Policy.



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in advance if a property is being mapped into a high-risk flood zone will help avoid possible delays caused when flood insurance is suddenly required at closing. If the buyer is aware of an upcoming change, they can take advantage of the National Flood Insurance Program's (NFIP's) "grandfathering" insurance rule as a lower-cost flood insurance option. Transferring flood insurance policies from current homeowners to new owners at the time of purchase can also keep insurance costs down in some instances.

Properties Being Mapped out of a High-Risk Flood Zone

Some properties will be mapped out of a high-risk zone and into a low- or moderate-risk zone (shown on the new maps as an "X" or shaded "X" zone). Although the Federal regulation for the mandatory purchase of insurance may be lifted, it is at the lender's discretion to require coverage. Property owners should be reminded that the risk of flooding is reduced, not eliminated, in these zones. Lower-cost flood insurance is available through the NFIP's Preferred Risk Policy. This impending change in zones could be a key selling point, so it is important for real estate professionals to stay informed about these changes.

STAYING INFORMED

Knowing when and where map changes are occurring allows real estate professionals to properly prepare explanations about the map changes and what insurance options are available to

their clients. Real estate professionals should prepare for closings by staying in contact with local officials as the community goes through the mapping (FIS) process. They should proactively inform clients about their options based on the impending flood zone changes. Detailed explanations can be provided by their insurance agent.

FEMA provides updated monthly listings of all communities that have received a Letter of Final Determination (LFD), which is a document that states a community's new flood map will become effective in six months, and therefore, changes in insurance requirements may take place.

- For a copy of an LFD listing, visit: http://www.fema.gov/plan/prevent/fhm/st_hot.shtm#2.
- For more information about Map Modernization, visit http://www.fema.gov/plan/prevent/fhm/mm_main.shtm.
- To learn more about flood insurance, visit <http://www.floodsmart.gov>.

The Department of Homeland Security's Federal Emergency Management Agency (FEMA) is responsible for administering the National Flood Insurance Program (NFIP). FEMA and its partners provide flood hazard data and maps in support of the NFIP. Up-to-date flood hazard information and maps are needed to support the purchase and rating of flood insurance, enable community-based floodplain management, and increase the Nation's flood hazard awareness.

