

# Flood Insurance Disclosure

Due to the location of this property, a mortgage lender **MAY** require buyers to purchase flood insurance in connection with the purchase of this property.

## Things you should know:

- The National Flood Insurance Program (NFIP) **provides insurability** for all primary and secondary homes located in a special flood hazard area (SFHA).
- The insurance premiums are based on the risk of flooding in the area where the property is located as well as the age and type of home.
- All mortgage lenders and insurance companies can get a **determination immediately** as to whether or not a property is located in a special flood hazard area by obtaining a flood certificate from the National Flood Insurance Program.
- The Standard Berkshire County Board of REALTORS® Purchase and Sale Agreement contains a provision allowing all buyers to obtain satisfaction with the insurability of the Property. If a buyer is unable to obtain a satisfactory insurance binder despite diligent efforts, a buyer can cancel the agreement without penalty.
- The mortgage lender will review the **Flood Certificate** from NFIP to determine if flood insurance is required as a condition of mortgage. Your insurance agent can also advise on this matter.
- The NFIP recently underwent **substantial changes to eliminate all federal subsidies** in flood insurance premiums by October 2014. Without subsidies, some insurance premiums will rise by a substantial amount.
- As a result, **Buyers cannot rely on the premiums paid in the past** for flood insurance on this property as an indication of the premiums that will apply after purchase.
- If a property requires flood insurance, buyers will need to work with their insurance provider and submit an **Elevation Certificate** in order to apply for flood insurance and obtain a quote.

**It is critical for Buyers to consult with their insurance agent for a better understanding of flood insurance coverage, the premiums that are likely to be required to purchase such insurance and any available information about how those premiums may increase in the future.**

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## Advice for Sellers: When first listing your home....

- Speak to your current insurance company representative to determine if your property is located in a **special flood hazard area** by obtaining a flood certificate from the National Flood Insurance Program.
- Be prepared to share any knowledge of flood elevations or determinations that you have direct knowledge of with interested buyers. Buyers will have to embark on a **lengthy process** to obtain property insurance acceptable to mortgage lenders, and any assistance you can offer initially may help get your home closed faster.
- If your property is located in a special flood hazard area, make sure you disclose this to potential buyers so that they have the **time to obtain proper premium** quotes for insurance on the property.
- To assist any potential buyers in purchasing your home, consider obtaining an **Elevation Certificate** and find out about variances. This will enable buyers under contract to speed the process in getting their final premium rate determined more quickly. These can cost between \$600 - \$800.

## Advice for Buyers: When putting an offer in on a home....

- Review the MLS listing sheet and then also speak to your insurance company representative or mortgage lender to determine if the property is located in a **special flood hazard area** by obtaining a flood certificate from the National Flood Insurance Program.
- If the property is located in a special flood hazard area, make sure you have a conversation with your REALTOR® to potentially extend the insurance contingency date in the Purchase and Sale Agreement so that you will have the time to determine how much the flood insurance premiums will cost.
- Work with your insurance agent to obtain an **Elevation Certificate** and find out about variances so that you can apply for insurance and obtain a final premium rate. These can cost between \$600 - \$800.

## Disclosure Requirements:

A real estate agent must disclose to prospective purchasers if a property is located in a special flood hazard area. Further, addressing it immediately is the best way to prevent avoidable delays in getting a home sold.

Buyer agents should carefully counsel their clients to use the insurance contingency time identified in the Purchase and Sale Agreement to speak to their insurance carrier about the property and the potential need for flood insurance. While this requirement will immediately evident when a buyer applies for a home loan, cash or unconventional financing may not reveal this issue without this extra step. All buyers should obtain a Flood Certificate and speak with carriers of flood insurance to understand the insurability of the property, regardless of financing type.

## More information:

<http://www.fema.gov/national-flood-insurance-program/flood-insurance-reform-act-2012>  
<http://www.fema.gov/floodplain-management/flood-insurance-rate-map-firm>  
<http://www.fema.gov/national-flood-insurance-program>  
<http://www.floodsmart.gov>

