

Understanding Flood Insurance



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Should You Have Flood Insurance?

With the recent incidents of flooding, tropical storms and tornadoes across the United States, many homeowners are suddenly dealing with water damage and debris, and are surprised to learn their homeowner's insurance policy doesn't cover the damages.

What Is Your Flood Risk Profile?

Flooding can happen anywhere, even if it's never happened in your area before. Most individuals with a home in a National Flood Insurance Program (NFIP) community are required by law to carry flood insurance. Even if flood insurance is not required for your home, it doesn't mean it isn't needed. Without a flood insurance plan, you put your financial security at risk if disaster strikes. It may be wise to prepare before the storm hits.

Purchasing Flood Insurance

Flood insurance is dependable.

Flood insurance is the most dependable resource to ensure a quick recovery from a devastating event. Relying on Federal disaster assistance could be risky because it's not always available after a flood. The President must declare an area a major disaster before Federal disaster assistance is offered.

Flood insurance may be required.

If you are located in a high-risk flood area and your home mortgage is federally regulated or from an insured lender, you will be required to have flood insurance. Visit [FloodSmart.gov](https://www.FloodSmart.gov) and enter your address on the One Step Flood Risk Profile tool to determine your risk. The site will tell your property's chances of being flooded.

Flood insurance policies have a waiting period.

Once you've determined your flood insurance policy, there will be a 30-day waiting period from date of purchase before the policy goes into effect. Some exceptions may apply so be sure to consult your agent for specifics. Payments must be made for the full year's premium.

Don't Be Fooled

“Flood insurance is too expensive.”

Rates are based on factors such as flood zone, date of construction, history of flood claims, elevation, and home improvements made to lessen future damage. Rates are set by the government and will not differ between insurance companies.

“My area has never flooded. Why would I need it?”

According to FEMA, floods are the most common and costly natural disaster. In the past few years, about 60 percent of all declared disasters involved flooding.

“Disaster assistance will take care of it. I don’t need the insurance.”

The President must declare an area a major disaster before federal disaster assistance can be offered. Even then, bureaucracy and red-tape may delay assistance. We can't control natural disasters, but with adequate planning, you can help be prepared and alleviate unnecessary stress and anxiety.

When It Is Required

PrimeLending complies with the mandatory flood purchase and servicing provisions of the National Flood Insurance Reform Act of 1994, the Flood Insurance Reform Act of 2004 & the Biggert-Waters Flood Insurance Reform Act of 2012

PrimeLending requires sufficient flood insurance coverage on all loans secured by a building located in flood zone or 'special flood hazard area' as determined by a Federal Emergency Management Agency (FEMA) approved flood certification. In order to tell if a property is located in a Special Flood Hazard Area the lender orders the flood certification through a third party provider that returns the determination on the FEMA approved form that uploads directly to our borrowers' loan file.

FEDERAL EMERGENCY MANAGEMENT AGENCY STANDARD FLOOD HAZARD DETERMINATION		See the Attached Instructions	O.M.B. No. 3067-0264 Expires April 30, 1998
SECTION I - LOAN INFORMATION			
1. LENDER NAME AND ADDRESS: Attn.: ***** *****	2. COLLATERAL (Building/Mobile Home/Personal Property) PROPERTY ADDRESS: (Legal Description may be attached): 902 Garden Villa Ct, AUSTIN, TX 78704	Borrower: HARVEY HOMELOAN _____	
3. LENDER ID. NO.	4. LOAN IDENTIFIER 1779	5. AMOUNT OF FLOOD INSURANCE REQUIRED \$	
SECTION II			
A. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) COMMUNITY JURISDICTION			
NFIP Community Name AUSTIN	County(ies) BRAZOS	State TX	NFIP Community Number 060232
B. NATIONAL FLOOD INSURANCE PROGRAM (NFIP) DATA AFFECTING BUILDING/MOBILE HOME			
NFIP Map Number or Community Panel Number (Community name, if not the same as "A") 06059C0029E	NFIP Map Panel Effective/ Revised Date 09/15/89	LOMA/LOMR X	Flood Zone No NFIP Map 060232
B. FEDERAL FLOOD INSURANCE AVAILABILITY (Check all that apply)			
<input checked="" type="checkbox"/> Federal Flood Insurance is available (community participates in NFIP). <input checked="" type="checkbox"/> Regular Program <input type="checkbox"/> Emergency Program of NFIP <input type="checkbox"/> Federal Flood Insurance is not available because community is not participating in the NFIP. <input type="checkbox"/> Building/Mobile Home is in a Coastal Barrier Resources Area (CBRA). Federal Flood Insurance may not be available. <input type="checkbox"/> CBRA designation date:			
D. DETERMINATION			
IS BUILDING/MOBILE HOME IN SPECIAL FLOOD HAZARD AREA (ZONES BEGINNING WITH LETTERS "A" OR "V")? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO			
If yes, flood insurance is required by the Flood Disaster Protection Act of 1973. If no, flood insurance is not required by the Flood Disaster Protection Act of 1973.			
E. Comments (optional): I. *** THIS CERTIFICATION FOR DEMONSTRATION PURPOSES ONLY ***			
This determination is based on examining the NFIP map, any Federal Emergency Management Agency revisions to it, and any other information needed to locate the building/mobile home on the NFIP map.			
F. PREPARER'S INFORMATION			
NAME, ADDRESS, TELEPHONE NUMBER (if other than Lender) First American Flood Data Services, Inc. 11902 Burnet Road Austin, TX 78758 1 800 447-1772		DATE OF DETERMINATION 01/13/97 FLOODCERT # 9701120055	



FEMA Form 81-93, June 95

PIIM-108FLC



Borrower Notification

PrimeLending complies with the mandatory flood purchase and servicing provisions of the National Flood Insurance Reform Act of 1994, the Flood Insurance Reform Act of 2004 & the Biggert-Waters Flood Insurance Reform Act of 2012

The borrower must be notified immediately once a flood determination is pulled and the property is found to be in a Special Flood Hazard Area (SFHA). Page two of the flood cert needs to be delivered to the borrower, signed & returned to the lender. Closing cannot occur until 10 calendar days from the date of notification.



NOTICE TO BORROWER NOT IN SPECIAL FLOOD HAZARD AREA			
Borrower: Harvey Homeloan	Loan #: 5555006185	Property Location: 902 Garden Villa Ct Austin, TX 78704	
National Flood Insurance Program (NFIP) Community: ODESSA, CITY OF			This Notice Date is as of: 08/08/16
Attached is the completed Standard Flood Hazard Determination Form that indicates that the improved real estate or mobile home securing your loan is <u>not</u> located in an area designated by the Director of the Federal Emergency Management Agency ("FEMA") as a Special Flood Hazard Area ("SFHA"). As a result of this determination, you will not be required to obtain mandatory flood insurance in connection with the making of your loan.			
However, your home may be near an SFHA. As such you, or your lender, may want to consider the advisability of obtaining flood insurance at reduced rates. You should check with your insurance agent or company as to the coverage types and amounts available to you and make your own determination as to whether you desire any such coverage.			
If, however, at any time during the term of your loan the improved real estate or mobile home securing your loan is, due to re-mapping by FEMA or otherwise, located in an area that has been identified by the Director of FEMA as an area having special flood hazards and in which flood insurance is available under the National Flood Insurance Program, you will be so notified and advised that you must obtain an appropriate amount of flood insurance coverage. If, within 45 days after we send you such notification, you fail to purchase flood insurance in an amount not less than the amount we advise you is necessary, we shall purchase such flood insurance on your behalf at your expense, as we are authorized to do in accordance with the provisions of the Flood Disaster Protection Act of 1973, as amended.			
I/We, the undersigned borrower(s)/applicant(s), hereby understand and agree to all the above.			
Borrower/Applicant	Date	Borrower/Applicant	Date
Borrower/Applicant	Date	Borrower/Applicant	Date
Borrower/Applicant	Date	Borrower/Applicant	Date



Single Family Residential Coverage Requirements

- Proof of insurance along with proof of payment for the first year premium
- Flood insurance must be escrowed even if property taxes & homeowner's insurance impounds are waived
- Deductible cannot exceed \$10,000

The following must be used to determine if the borrower has adequate coverage:

1. Maximum available under NFIP: \$250,000
2. 100% replacement cost—must be derived from the 'total estimated cost new on the appraisal

* Coverage stated on the policy must be the lesser of 1 and 2

When a property is located in a flood zone & there are additional detached structures i.e. a guest house, a separate flood policy may be required. A separate policy must be obtained when:

1. Additional structure is permanently affixed to the foundation
2. Value of structure (including Non-residential detached structures) is more than \$10,000 per the appraisal

****PrimeLending does not allow for manufactured homes to be located in a flood zone.**

Zone D & None

Certain properties may fall into Undetermined Flood Risk Areas, as denoted by flood zone D & NONE on a flood cert. These are unstudied areas where flood hazards are undetermined however flooding is possible. No mandatory flood insurance purchase requirements apply however coverage is available.

PrimeLending will inform our borrowers by providing a Flood Zone D/Non Fact Sheet.

FACT SHEET FOR STAKEHOLDERS



Unmapped Areas on Flood Hazard Maps
Understanding Zone D

BACKGROUND

Flood hazard maps, also known as Flood Insurance Rate Maps (FIRMs), are important tools in the effort to protect lives and properties in communities across the nation. By showing the extent to which areas of a community and individual properties are at risk for flooding, these flood maps help residents and business owners make better financial decisions about protecting their property.

However, flood risks are dynamic and can change over time. Water flow and drainage patterns can be altered dramatically due to surface erosion, land use, and natural forces. As a result, flood maps for those areas may no longer accurately portray the current flood risks. Consequently, the Federal Emergency Management Agency (FEMA) has been updating the nation's flood maps using the latest data gathering and mapping technology and new flood maps are being issued nationwide.

UNDERSTANDING ZONE D

The level of flood risk is indicated on the flood map by a letter. For example, flood zones labeled with the letters B, C or X represent moderate- and low-risk areas. Flood zones identified by the letters A or V represent high-risk areas, known as Special Flood Hazard Areas (SFHAs). On some flood maps, there may also be a zone labeled with the letter D. The Zone D designation is used for areas where there are possible but undetermined flood hazards, as no analysis of flood hazards has been conducted. The designation of Zone D is also used when a community incorporates portions of another community's area where no map has been prepared.

Flood insurance is available in Zone D and property owners should be encouraged to purchase it. However, flood insurance is not federally required by lenders for loans on properties in these zones. Although these areas are often undeveloped and sparsely populated when designated as Zone D, lenders may become aware that new development in such areas has increased the possibility of property damage from flooding. Consequently, they may require coverage as a condition of their loans, even though it is not federally required.

Flood insurance rates for properties in Zone D are commensurate with the uncertainty of the flood risk. Consequently, as seen in the table below, the Zone D premiums can be higher than a standard low-risk X zone premiums and significantly higher than the Preferred Risk Policy (PRP) premiums. If an area is being remapped and properties are going from Zone B, C, or X to Zone D, the insurance agent should determine if grandfathering the existing low-risk zone for future rating will provide a lower premium than using the new Zone D premium. Also, since Zone D is not considered an SFHA, a property that was designated in Zone D on the previous map and is newly designated in an SFHA by a map revision effective may be insured under the PRP based on the 2-year PRP eligibility extension. More details on grandfathering and PRP Extension can be found at www.fema.gov/library/viewRecord.do?id=3745.

Premium Comparison (October 1, 2011 Rates)

FIRM Date* Building Type	Preferred Risk Policy (Zone B, C, X)	Standard Rates (Zone B, C, X)	Standard Rates (Zone D)
Pre-FIRM Home**	\$211	\$778	\$575
Post-FIRM Home**	\$211	\$778	\$852
Pre-FIRM Manufactured Home***	\$211	\$778	\$575
Post-FIRM Manufactured Home***	\$211	\$778	\$1,197

*Pre-FIRM buildings are constructed prior to 1/31/74 or the effective date of the initial flood map. Post-FIRM buildings are constructed on or after the effective date of the initial flood map.

**Based on \$50,000 in building and \$20,000 in contents coverage, single family home on a slab with no garage, \$1,000 deductible for building and for contents for Zone B, C, X and post-FIRM D; \$2,000 deductible for pre-FIRM Zone D

***Based on \$50,000 in building and \$20,000 in contents coverage, permanently affixed to a lot with no enclosure, \$1,000 deductible for building and for contents for Zone B, C, X and post-FIRM D; \$2,000 deductible for pre-FIRM Zone D

To learn more about flood insurance coverage and options, visit www.FloodSmart.gov. For more information about FEMA's latest mapping initiatives, visit www.fema.gov/plan/prevent/fmap/index.shtml.



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Prepared for you by Phyllis McDaniel and



Loan Program Requirements

FHA:

A property is not eligible for FHA insurance if:

- A residential building and related improvements to the property are located within a Special Flood Hazard Area (SFHA) Zone A, or Zone V, a coastal area AND insurance under the National Flood Insurance Program NFIP is not available in the community OR
- The improvements are located with a Coastal Barrier Resource System.

Loan Program Requirements

USDA-correspondent loan:

- Deductibles cannot exceed the greater of \$1000 or 1% of the policy coverage
- Existing dwellings are eligible under the Single Family Housing Guaranteed Loan Program only if flood insurance through FEMA's National Flood Insurance Program is available for the community.
- According to the Homeowner Flood Insurance Affordability Act of 2014, flood insurance is not required for any additional structures that are located on the property but are detached from the primary residential structure such as sheds, garages or barns.

*Note: USDA Direct Loan requires an elevation certificate to ensure the top of the bottom floor is above flood zone.

Loan Program Requirements

New Construction:

- Flood insurance not required until framing begins unless there is an existing structure on the property in the case of a tear down or a major renovation.

Thank You!



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