

Overview

Prior to loan purchase, a Flood Zone Determination Certification (FZD or Flood Cert) is required in each loan file. Flood insurance is required for any property located in a Special Flood Hazard Area which has federally mandated flood insurance purchase specifications. Properties located in Special Flood Hazard Areas designated by the symbols "A" and "V" on a Flood Insurance Rate Map (FIRM) require flood insurance.

Non-Participating Communities

Flanagan State Bank will not purchase mortgages secured by properties which are determined to be in a Special Flood Hazard Area and which are located in areas where the community does not participate in the National Flood Insurance Program. If the property is located in a non-participating community, but is not determined to be in a Special Flood Hazard Area, it is eligible for purchase by Flanagan State Bank.

Flanagan State Bank may waive its flood insurance requirements if:

- The improvements constructed on the mortgaged property are not in a Special Flood Hazard Area even though part of the unimproved property may be; or
- A letter from the Federal Emergency Management Agency (FEMA) is supplied stating the maps have been amended so that the mortgaged property is no longer in a Special Flood Hazard Area.

Required Documentation

Flood insurance generally should be in the form of the standard policy issued under the National Flood Insurance Program. The Policy Declaration page of a policy is acceptable evidence of flood insurance coverage. Policies that meet the National Flood Insurance Program requirements—such as those issued by licensed property and casualty insurance companies that are authorized to participate in NFIP's "Write Your Own" program—will be acceptable.

If flood insurance is required, the mortgage loan must close with one of the following:

- A complete flood insurance policy containing a standard mortgagee clause which must read as described in the Guide.
- A complete application to the National Flood Insurance Program Agency (NFIP) with evidence that the first year premium on the policy has been paid and an elevation certificate if the property was constructed after the date on the FIRM.

Elevation Certificate

A new elevation certificate may be obtained from a private engineer, architect, land surveyor, or a local community permit official who obtains the information by transcribing data from the building permit records provided that the data has been certified.

Flanagan State Bank will accept the following alternative documentation in an effort to help minimize the expense of obtaining an elevation certificate:

- A copy of the property seller's elevation certificate;
- A copy of the property seller's flood insurance declaration page (provided the elevation information is on the declaration page); or
- A completed application to the NFIP with evidence that the first year premium on the policy has been paid, and a completed Flood Insurance Certification Form if the property was constructed before the FIRM date.

With respect to new construction, elevation information may be obtained from the city engineer or the developer's site planning engineer.

To determine whether a property was constructed before or after the FIRM date, consult the Community Status Book published by NFIP directly.

Fannie Mae, Freddie Mac, and VA Requirements

Coverage Amount

If flood insurance is required with respect to a mortgaged property, the amount of flood insurance required, regardless of property type, is the lesser of:

- The unpaid principal balance of the mortgage, or
- The maximum amount of coverage available under the NFIP for the type of improvements, or
- The replacement cost of the improvements

Condominium and PUD Projects

The amount of flood insurance coverage in a Master Policy is sufficient if:

- It is equal to 100% of the actual cash value of the facilities. Actual cash value is equal to 80% of replacement cost or 80 percent of the blanket value. Replacement cost or blanket value of the building is stated on the condominium Certificate of Insurance. If the building coverage is equal to 80% of this amount, coverage meets the specifications; or
- It is equal to \$250,000 times the number of units

If the coverage amount does not meet one of the above criteria, the borrower must obtain an individual dwelling policy to cover the deficiency.

Deductible Amount

Deductible amounts must meet the minimum applicable investor requirements.

In addition to any flood insurance required with respect to a specific condominium or PUD unit, if any parts of a project's common elements are in a Special Flood Hazard Area (SFHA), the homeowners association must maintain a "master" or "blanket" policy of flood insurance and collect premiums from its members as it would any other common expense.

The specifications for condominiums and PUDs are:

- For PUD projects, the master policy should cover any common elements in the buildings and other common property.
- For Condominium projects, the policy should cover common elements in the buildings and any other common property. When the project consists of high-rise or other vertical buildings, the owner's association must have a separate flood insurance policy for each building that contains dwelling units.

FHA

Coverage Amount

For properties located within an SFHA, flood insurance must be maintained for the life of the mortgage in an amount at least equal to the lesser of:

- the outstanding balance of the mortgage, less estimated land costs; or
- the maximum amount of the NFIP insurance available with respect to the property improvements.

Condominium Projects

The Homeowners' Association (HOA) must have insurance under the NFIP on buildings located within the SFHA. The flood insurance coverage must protect the interest of the borrowers who hold title to an individual unit, as well as the common areas of the condominium project.

USDA/ Rural Housing

Flood insurance must cover the lesser of the outstanding principal balance of the loan or the maximum amount of coverage allowed under the NFIP. Unless a different amount is required by state or federal law, the maximum deductible clause for a flood insurance policy should not exceed the greater of:

- \$1,000,
- 1 percent of the face amount of the policy, or
- The maximum allowed by FEMA