

## Flood Insurance Policy Type Requirements



If the property is in an area eligible to obtain flood insurance through FEMA's National Flood Insurance Program (NFIP), does the borrower have to obtain this or can they use a private flood insurance policy?

If the property is NOT in an area eligible to obtain flood insurance through FEMA's National Flood Insurance Program (NFIP), can the borrower obtain a private flood insurance policy?

Conventional

Fannie will accept either FEMA's NFIP or private flood insurance.

No, the property is not eligible if NFIP is not available in the community.

The minimum amount of flood coverage required for most first mortgages secured by one- to four-unit properties, individual PUD units, and certain individual condo units is the lowest of:

- 100% of the replacement cost of the insurable value of the improvements;
- The maximum insurance available from NFIP, which is currently \$250,000 per dwelling; or
- The unpaid principal balance of the mortgage.

Deductibles for master project and individual dwelling flood insurance policies must meet the NFIP requirements for the type of improvements insured unless state law requires a higher maximum deductible amount. This requirement applies to both NFIP and private policies.

**Deductible: \$10,000 maximum**

FHA

FHA will only accept a FEMA NFIP policy.

No, the property is not eligible if NFIP is not available in the community.

### FHA Flood Insurance Coverage Required:

For Properties located within a Special Flood Hazard Area (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.

**Deductible: \$10,000 maximum**

USDA

USDA will accept either FEMA's NFIP or private flood insurance.

No. A property in a 100 year flood plain but not in NFIP is not eligible for financing, regardless of ability to get private flood insurance.

### Additionally, with a private flood insurance policy, what are the coverage requirements and do they differ from policies issued under FEMA's National Flood Insurance Program (NFIP)?

Requirements are the same for both.

Flood insurance must cover the lesser of the outstanding principal balance of the loan or the maximum amount of coverage allowed under FEMA's National Flood Insurance Program (NFIP). Unless a higher 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 or 1 percent of the face amount of the policy.

VA

VA will accept either FEMA's NFIP or private flood insurance.

Yes.

### Flood Insurance Coverage Required:

The lender is responsible for ensuring that flood insurance is obtained and maintained on any building or personal property that secures a VA loan if the property is located in a special flood hazard area (SFHA), as identified by the Federal Emergency Management Agency (FEMA).

- The lender/holder's responsibility extends through the entire term of the loan, and includes insuring any secured property that becomes newly located in a SFHA due to FEMA remapping.
- The VA appraiser's opinion on whether the property is located in a SFHA does not relieve the lender from responsibility for ensuring flood insurance coverage on a property which is in fact located in a SFHA.
- Personal property requiring coverage can include a manufactured home and its appliances, carpet, etc. if they secure the loan.
- The amount of flood insurance must be equal to the lesser of the outstanding principal balance of the loan or the maximum limit of coverage available for the particular type(s) of property under the National Flood Insurance Act.
- Contact local property insurance agents or brokers, or FEMA regional offices, for current information on maximum available coverage.

**Note:** VA cannot guarantee a loan if the security is located in a SFHA and flood insurance is not available.

**Deductible: \$10,000 maximum**