

INTERVIEWS

1. How To Avoid \$300/\$1,000 of Yearly Flood Insurance Costs. (5 minutes)

Q1. What is flood insurance?

A1. Flood insurance is required if the home or lot that you are buying is in or adjacent to flood-prone areas. These flood-prone areas are designated by maps that are drawn by the Federal Emergency Management Agency, also known as FEMA. Because of the likelihood of flooding in 100 or 500 year cycles, they indicate with maps and drawing on the maps, areas that could be flooded.

Q2. Doesn't homeowners insurance cover flood damage to houses?

A2. No, homeowners insurance does not cover flood damage, but flood insurance does, so lenders in a mortgage situation will require that there be flood insurance in addition to homeowners insurance if you are in or are buying in a flood-prone area.

Q3. Is flood insurance very expensive?

A3. It can run from \$300 to \$1000 per year. It is based upon the zone that it is in and also the value of the property. The specifics of these costs would be determined by your insurance agent when you get quotes for your homeowners or other property insurance policies.

Q4. How can we be on guard when home shopping to see if the house that we are interested in is actually in a flood zone?

A4. Before even going out to the property, I would strongly advise smart homebuyers to get detailed county or city maps. Study the rivers, creeks, drain ditches, lake frontages and ocean frontages in relation to properties that are on your shopping list of homes. Sometimes properties that may even be blocks away from the actual drainage or body of water could be included in a flood plain.

Q5. Should we ask for flood maps from previous appraisals or Flood Certification Companies reports, or from the owner or owner representative?

A5. It is surprising that many times people keep a file about their house with bills, building permits showing when additions were put on, where the septic system is, when septic cleaning was done, the location of the septic tank, the location of the well, and many people even have surveys and flood maps which may indicate where their property is located in relation to the flood maps and the flood zones.

Q6. How about checking with local building departments, whether it's a city or township?

A6. It's always a good idea to have this as a back-up plan. There may be detailed studies which are done by subdivisions or street addresses or legal descriptions, or even additional detail may be furnished by the developer or the development.

It is not uncommon to have discrepancies between the very vague flood maps versus the detailed information from a city or township that could indicate that a property is NOT in a flood plain and flood insurance is not required.

- Q7. Can detailed surveys show the flood plain boundaries?
- A7. Yes they can show the boundaries which could be cutting across the rear of a property lot, which could actually be far away from and not even affecting the house or the house location. This may be a way to appeal when a bank or mortgage company claims that flood insurance may be needed. This could specify that a 100 or 500 year flood category is an issue, or that flood insurance is not necessary.
- Q8. When we're shopping for existing houses, and in the negotiations, would it be wise to ask if flood insurance is required?
- A8. That's a very good idea. But get it in writing and consult with your real estate attorney about that provision being in the Purchase Agreement. If in fact the seller misrepresents about the need for flood insurance, you may have a basis in which to take legal action against him versus just a verbal promise about having flood insurance or not having flood insurance. As I said, sometimes flood insurance can cost as little as \$300 a year or it could be as expensive as \$1,000 a year. By knowing whether you are involved in a situation of a house needing flood insurance versus not needing flood insurance, you could save your budget a lot of money.