

## **LENDERS / REAL ESTATE PROFESSIONALS CHANGING MAPS; CHANGING RISKS**

As the new flood maps are released, they will reflect current flood risks, replacing paper maps that are 23 years out-of-date. As a result, lenders and real estate professionals will have reliable, Internet-accessible information about flood risk on a property-by-property basis. As the date approaches for maps to become effective, many property owners will learn that their flood risk is higher, or lower, than they thought. The changes may affect closings and existing loans for both residents and business owners throughout the area.

### **Lenders can avoid closing delays**

If a building is shown to be in a high-risk zone on the flood map currently in effect, flood insurance must be in place if there is a mortgage through a federally regulated lender. This requirement does not change when new preliminary flood maps are released. **Lenders (or their flood zone determination company, if they outsource that service) cannot use preliminary flood maps to determine federal insurance requirements.** (However, some lenders may decide to require flood insurance as part of their own internal underwriting of the loan.)

As the date that the maps become effective gets closer, loan originators and mortgage brokers will want to refer to the preliminary maps to determine whether a property might be mapped into a high-risk area when the maps do become effective. By informing the borrower of this potential change before a loan is finalized, they will help minimize any delay in loan closing due to changes in flood zones and flood insurance requirements.

Once the new flood maps become effective, federally regulated lenders will notify property owners that have been mapped into a high-risk area and that they are required to carry flood insurance. Property owners that have been mapped out of the high-risk areas would not be required carry flood insurance any longer. However, removing the requirement does not guarantee that it will not flood; property owners are encouraged to stay protected with a lower-cost Preferred Risk Policy.

### **Real estate professionals can avoid unpleasant surprises**

Real estate professionals can also use the preliminary flood maps to determine how proposed zone changes are likely to affect any properties that are for sale. This will help avoid any surprises at the time of closing that could delay and perhaps jeopardize the purchase / sale of a property. Real estate agents and brokers should also become familiar with the flood insurance grandfather options that can help keep their clients' insurance costs down, including the possible transferring of a seller's existing flood insurance policy to the new owner.