



B7-3-06, Flood Insurance Requirements for All Property Types (02/07/2023)

Introduction

This topic contains information on Fannie Mae’s flood insurance requirements, including:

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Determining if a Property Requires Flood Insurance

The lender and servicer must ensure that the subject property is adequately protected by flood insurance when required. If the property is located in a Special Flood Hazard Area (SFHA) or a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA), the property must be secured by a property located in

- a Special Flood Hazard Area (SFHA), or
- a Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA).

The lender and servicer must determine whether the property is located in an SFHA, a CBRS, or an OPA by using the FEMA flood zones beginning with the letter "A" or "V" are considered SFHAs.

Note: If the subject property is located within a CBRS or an OPA, flood insurance is required regardless of whether the property is located in an SFHA.

Flood insurance is not required on a principal or residential detached structure securing the loan if the lender or servicer has been amended and the structure is no longer in an SFHA.

Determining if Flood Insurance is Required on Specific Structures

The following table describes how to evaluate a property to determine if flood insurance is required. For these requirements, flood insurance is required on a principal or residential detached structure on the subject property.

If...	Then flood insurance is...
any part of the principal structure is located within an SFHA	required.

If...	Then flood insurance is...
the principal structure is not located within an SFHA, but a residential detached structure affixed to the land that serves as part of the security for the loan is located within the SFHA	required for the residential detached structure.
the principal structure is not located within an SFHA, but a non-residential detached structure affixed to the land that serves as part of the security for the loan is located within the SFHA	not required on either structure.
the principal structure is not located within an SFHA, but a detached structure affixed to the land that does not serve as part of the security for the loan is located within the SFHA	not required on either structure.

Community Eligibility

If the lender or servicer determines that a principal or residential detached structure is located in an SFHA, but the community is not participating in the National Flood Insurance Program (NFIP), the loan is not eligible for purchase by Fannie Mae.

If the property is in a non-participating community and a CBRS or an OPA, it is only eligible for purchase by Fannie Mae if it is in a participating community.

Loans secured by properties in the Emergency Program of the NFIP are eligible for purchase by Fannie Mae with coverage required by the NFIP.

Acceptable Flood Insurance Policies

The flood insurance policy must be one of the following:

- a standard policy issued under the NFIP; or
- a policy issued by a private insurer, provided
 - the terms and amount of coverage are at least equal to that provided under an NFIP policy based on a review of the policy;
 - the insurer meets Fannie Mae's rating requirements as specified in *Property Insurer Rating Requirements* in [B7-3- for All Property Types](#).

A Policy Declaration page is acceptable evidence of flood insurance.

Requirements for One- to Four-Unit Properties

The minimum amount of flood insurance required for first mortgages must be equal to the lesser of

- 100% of the replacement cost value of the improvements,
- the maximum coverage amount available from NFIP, or
- the unpaid principal balance (UPB) of the loan (or loan amount at the time of origination).

See *Insurance Requirements for Renovation and Energy Improvement Loans* in [B7-3-05, Additional Insurance Requirements](#)

See *Mortgagee Clause for Property and Flood Insurance* and *Named Insured for Property and Flood Insurance* in [B7-3-08, N of Cancellation Requirements](#) for mortgagee clause and named insured requirements.

Requirements for Project Developments

When a loan is secured by a unit in an attached condo or co-op project and flood insurance is required as described in *Dete* lender and servicer must verify that the HOA or co-op corporation maintains a master flood insurance policy with premium indicated in the table below.

The following table provides additional requirements based on the project type.

Project Type	Coverage Requirements
Condo	<p>The lender and servicer must verify that the HOA maintains a Residential Condominium Building Associated Policy (RCBAP) or equivalent private flood insurance coverage for a condo building consisting of attached units located within an SFHA. The only building that must be verified is the subject unit's building. Fannie Mae does not require evidence of a master flood insurance policy, provided the unit owner maintains an individual flood dwelling policy that meets the coverage requirements of this Guide for the following loans or project types:</p> <ul style="list-style-type: none"> • high LTV refinance loans, • units in a two- to four-unit project, and • detached condo properties. <p>The master flood insurance policy maintained by the HOA must cover the subject unit's</p> <ul style="list-style-type: none"> • entire building; and • all of the common elements and property, including machinery and equipment that are part of the building. <p>The coverage amount for the building must be at least equal to the lesser of</p> <ul style="list-style-type: none"> • 80% of the replacement cost value⁽¹⁾, or • the maximum coverage amount available from NFIP per unit⁽²⁾. <p>⁽¹⁾If the master flood insurance policy meets the minimum coverage requirement of 80% of the replacement cost value, but the per unit coverage amount does not meet the requirement for loans secured by one- to four-unit properties, as described in <i>Requirements for One- to Four-Unit Properties</i>, the unit owner must maintain a supplemental policy for the difference.</p> <p>⁽²⁾If the commercial space of an attached condo is over 25%, coverage provided by the General Property Form (or equivalent coverage) is insufficient. A private flood insurance policy, or a private flood insurance policy in conjunction with a General Property Form policy (or equivalent coverage) must be maintained by the HOA to equate to coverage requirements for projects eligible for an RCBAP.</p> <p>The contents coverage must equal the lesser of</p>

Project Type	Coverage Requirements
	<ul style="list-style-type: none"> • 100% of the replacement cost value of all contents owned in common by the association members, or • the maximum coverage amount available from NFIP.
Co-op	<p>The lender and servicer must verify that the co-op corporation maintains a General Property Form policy or equivalent private flood insurance coverage for a co-op building that is located within an SFHA.</p> <p>The master flood insurance policy maintained by the co-op corporation must cover the subject unit's</p> <ul style="list-style-type: none"> • entire building, and • all of the common elements and property, including machinery and equipment that are part of the building. <p>The coverage amount for the building must be at least equal to the lesser of</p> <ul style="list-style-type: none"> • 100% of the replacement cost value, or • the maximum coverage available from NFIP.
PUD	<p>The lender and servicer must verify that each attached or detached individual PUD unit maintains a Dwelling Form policy or equivalent private flood insurance policy on the subject property.</p> <p>See <i>Requirements for One- to Four-Unit Properties</i> above for the required amount of coverage.</p>

See *Mortgagee Clause for Property and Flood Insurance* and *Named Insured for Property and Flood Insurance* in [B7-3-08, N of Cancellation Requirements](#) for additional information.

Deductible Requirements

The following table describes the maximum deductible allowed by Fannie Mae for an NFIP or a private flood insurance pol

Property Type	Deductible Requirement
One- to four-unit properties	The deductible must not exceed the maximum deductible amount currently offered by NFIP for one- to four-unit properties insured under an NFIP Dwelling Form.

Property Type	Deductible Requirement
Condo projects	The deductible must not exceed the maximum deductible amount currently offered by NFIP for condo projects insured by an RCBAP. This deductible requirement applies to all condo projects, regardless of the percentage of commercial space.
Co-op projects	The deductible must not exceed the maximum deductible amount currently offered by NFIP for co-op projects insured under an NFIP General Property Form.
PUDs	The deductible on individual attached or detached PUD units must not exceed the maximum deductible amount currently offered by NFIP for one- to four-unit properties insured under an NFIP Dwelling Form.

Delivery Requirements

The following table describes the special feature code requirements applicable to flood insurance. See [C1-2-02, Loan Delivery Requirements](#) for detailed loan delivery requirements.

Structure Location and Status of Flood Insurance Coverage	Special Feature Code
<ul style="list-style-type: none"> Some part of a principal and/or residential detached structure is located within an SFHA, and Flood insurance coverage is in place on the principal and/or residential detached structure. 	SFC 170 Flood Insurance — Special Flood Hazard Area
<ul style="list-style-type: none"> No part of a principal or residential detached structure is located within an SFHA, but Flood insurance coverage is in place on the principal and/or residential detached structure. 	SFC 175 Flood Insurance — Not a Special Flood Hazard Area

Structure Location and Status of Flood Insurance Coverage	Special Feature Code
<ul style="list-style-type: none">No part of a principal or residential detached structure is located within an SFHA, andNo flood insurance coverage is in place on the principal or residential detached structure. <div>Note: In addition to these criteria, this special feature code also applies if there is a non-residential detached structure affixed to the land for which any part is in an SFHA.</div>	SFC 180 No Flood Insurance — No

Requirements During a National Flood Insurance Program Lapse

The NFIP may lapse due to a shutdown of the federal government or if Congress does not renew the NFIP's authorization t policies, or issue renewal policies.

For the duration of such a lapse, a lender may sell a loan to Fannie Mae where flood insurance is otherwise required witho requirements below are met.

During the lapse, lenders must have a process in place to identify properties securing loans sold to us without proper evid that the borrower must provide acceptable evidence of:

- a completed application for NFIP flood insurance and proof of the premium payment or the final settlement statemen
- the assignment of an existing NFIP flood insurance policy from the property seller to the purchaser.

The following table provides additional requirements that lenders and servicers must follow during the lapse.

✓	Lenders and servicers must...
	Continue to make flood determinations, provide timely, complete and accurate notices to borrowers in accordance with applicable laws, and comply with all other flood insurance requirements.
	Take all steps (as permitted by applicable law) necessary to facilitate the issuance of coverage once the lapse has ended.
	Retain documentation to support acceptable evidence of flood insurance.

Refinance loans secured by properties where flood insurance is required typically already have acceptable flood insurance requirements for refinance loans are listed below.

If a refinance loan...	Then the lender...	
has acceptable flood insurance coverage in place at the time of closing that does not expire prior to sale to Fannie Mae	must be accurately reflected as the mortgagee named on the policy.	When delivering loans affected by a lapse of the <i>Requirements</i> described above and provide all required flood insurance policy was in place. The lender and servicer remain obligated for all servicing obligations concerning the existence of an equivalent private flood insurance policy.
has a flood insurance policy that expires during the lapse and before sale to Fannie Mae	must follow all requirements in this topic adapted appropriately to a renewal.	
	may sell a loan on the condition	
requires more coverage as a result of the refinance	that the borrower provide acceptable evidence of an endorsement request and proof of the additional premium	
	payment.	Note: Fannie Mae accepts flood insurance policies under <i>Flood Insurance Policies</i> , but such private flood insurance is not an alternative in the event of a lapse of NFIP coverage.
		Recent Related Announcements

The table below provides references to recent announcements on this topic.

Announcements	Issue Date
Announcement SEL-2024-01	February 07, 2024
Announcement SEL-2022-10	December 14, 2022
Announcement SEL-2021-11	December 15, 2021
Announcement SEL-2019-07	August 07, 2019