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**MISMO Flood Risk Disclosure Guide**

Version 1

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# Version History

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| **Version** | **Document Date** | **Revision List** |
| **1.0** | **10/20/2022** | Published for Comment |
| **1.0** | **01/03/2023** | Updated based on feedback from comment period.   * Updated page one to add in reference to this disclosure guide regarding government links. * Updated 3rd paragraph on page two with language to state the risk in transaction is the consumer, the creditor is providing information to educate/provide aware |
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# Introduction

### Purpose of this document

The document is a Resource Guide (Guide) to provide the industry with flood risk information that can be shared with consumers. The Guide provides information on the specific risks borrowers are willing to take, questions they should ask, and links web sites where they can learn more about flood insurance and state requirements. The focus is to ensure consumers are making informed decisions about their home purchase or home equity loan options with full knowledge of present and future risks to the property.

The Mortgage Industry Standards Maintenance Organization (MISMO) Environmental, Social and Governance (ESG) Community of Practice (CoP) collaborated with industry constituents to create the Guide and obtain marketing support for sharing the guide with consumers. The CoP’s goal is to publish the Guide on the MISMO website to make it accessible for reference by industry. Once on the MISMO site, the ESG CoP will collaborate with other mortgage industry participants, government agencies and housing counselors to make the material available to consumers.

### Background

Experts agree that climate change poses an immediate and serious threat to the United States housing finance industry. According to Risk FactorTM, a free online tool defining a property’s risk from environmental threats, flooding has cost over $1 trillion (inflation adjusted) since 1980 and wildfires are on pace to cost $16 billion by 2029.[[1]](#footnote-1) In a 2021 report about the impact of climate change on the mortgage industry co-published by the Mortgage Bankers Association (MBA) and the Research Institute for Housing America (RIHA), industry veteran Sean Becketti warned: *“Projecting future climate change and its impacts remains challenging primarily because the outcome depends crucially on the actions chosen by governments, industries, and households. Given the uncertainty over those actions, the future path of climate change could continue to get much worse.”*[[2]](#footnote-2)

Despite the real and significant risk that climate change poses to residential real estate, consumers have limited options for finding a home’s flood risk and no way to determine how that risk may change over the duration of home ownership. Finding a home’s flood history can be difficult as disclosure laws vary by state and individual flood insurance claims are protected by privacy laws.

### Disclosure Guide

This model document provides recommended links using U.S. Government resources due to the non-bias nature of the information. These government links should not be deleted. Creditors can choose to add in commercial links as they see fit but should include additional warnings as appropriate via the advice of their counsel.

**Have you considered your Flood Risk?**

Whether you are thinking about buying a home, or already have a home and are looking to access equity, we have resources to help you understand your flood risk.

Understanding climate risks is essential to plan for the future. Individual flood risks will **vary based on location**; thus, it is important to focus on the relevant risks for your area.

Depending on where your property is located, you may be required to purchase flood insurance. The Federal Emergency Management Agency (FEMA) hosts a Flood Map Service Center (<https://msc.fema.gov/portal/home>) where consumers can obtain a flood map for an entered address. Your state may require a flood risk disclosure before the sale of a property, according to the Natural Resources Defense Council (NRDC).[[3]](#footnote-3)

However, these resources may not provide a complete view of your risk because many flood insurance claims occur **outside** the high-risk flood areas and most insurance claim information is not available to consumers. Risk is inherently dependent upon the totality of facts and circumstances relating to a specific transaction. The purchase or refinancing of a home requires scrutiny and consideration by the consumer to determine whether the transaction provides a benefit to the consumer. By providing this model document, the creditor does not make any representations or warranties related to risk or benefit to the consumer.

**Know Your Risk:**

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|  | **Sources of Flood Risk** | * High intensity rainfall * Overflowing rivers and streams * High tides * Coastal storm surge |
|  | **Insurance** | * Can you afford sufficient insurance? * What does the insurance cover? * Has there been prior loss? * Will your premiums increase over time? Check out FEMA’s flood insurance resources.[[4]](#footnote-4) |
|  | **Types of Risk** | * Risk to the physical property * Risk to housing prices * Risk to commutes, employment and community |
|  | **Investigate Your Risk** | * Review the Consumer Financial Protection Bureau’s (CFPB) climate risk article[[5]](#footnote-5) * Check in with FEMA’s Flood \*Insurance Advocate at <https://www.fema.gov/flood-insurance/advocate> |

1. [About Risk Factor](https://riskfactor.com/about) [↑](#footnote-ref-1)
2. [MBA RIHA Climate Change Report: Mortgage Industry Needs to Improve Risk Management Measurements, September 23, 2021, accessed September 15, 2022.](https://www.mba.org/news-and-research/newsroom/news/2021/09/23/mba-riha-climate-change-report-mortgage-industry-needs-to-improve-risk-management-measurements-x285441)  [↑](#footnote-ref-2)
3. NRDC’s Flood Policy can be accessed from its web site at <https://www.nrdc.org/issues/prepare-flood>. Various articles about flood risk and disclosure are available from the web site if “flood risk disclosure” is typed into the search engine. [↑](#footnote-ref-3)
4. Access information about the National Flood Insurance Program (NFIP) from FEMA’s Floods & Maps web page (https://www.fema.gov/flood-insurance/risk-rating). [↑](#footnote-ref-4)
5. Access from CFPB’s web site at: <https://www.consumerfinance.gov/about-us/blog/homebuyers-homeowners-renters-should-consider-climate-risks-in-decisions-about-future/> [↑](#footnote-ref-5)