

Am I Required to Buy Flood Insurance?

Many Property Owners, and Some Renters, MUST Have Insurance

Federal law (42 USC § 4012a) requires a property owner who receives federal assistance for a property in a Special Flood Hazard Area (SFHA), meaning an A or V zone, to purchase insurance up to the amount of the assistance received. Therefore:

1. Recipients of Small Business Administration loans;
2. Recipients of FEMA Individual and Household Program (IHP, or IA) disaster assistance;
3. Recipients of HUD Community Development Block Grant Disaster Recovery funds, which in New York are provided by the NY Rising and NYC Build It Back programs; and
4. Property owners with federally insured (e.g., Fannie/Freddie, HUD, VA) mortgages

MUST purchase insurance. Under 42 USC § 5154a, failure to maintain insurance prevents survivors from receiving virtually all federal assistance for future events.



How Much Insurance Must I Buy, and for How Long Must I Maintain Coverage?

The answers to these questions vary by the type of assistance. As a reminder, National Flood Insurance Program (NFIP) building coverage for one- to four-family homes is currently capped at \$250,000.

- For SBA loan recipients, *including renters*, insurance must be purchased for the lesser of the loan value, the “insurable value” of the property covered by the loan, or the NFIP maximum (SBA Standard Operating Procedure 50 30 8, § 7.14.G).
- For FEMA IHP/IA recipients, *including renters*, insurance must be purchased for the value of assistance provided to replace real and personal property that an NFIP policy will actually insure (44 CFR 206.110)(k)(3)). The requirement runs with the property in perpetuity for homeowners.
- For NY Rising or Build It Back funding recipients, insurance must be purchased for the lesser of the property grant amount or the NFIP maximum. The requirement runs with the property in perpetuity, and assistance agreements require the buyer to notify future purchasers. Always check the program grant agreement that you signed.
- For mortgages, § 4012a limits the purchase requirement to the lesser of the outstanding principal balance, the NFIP maximum, or the cost to rebuild the insured structure(s) ([see this Fannie Mae factsheet](#)). A mortgage may still have other requirements.

NYLAG’s Storm Response Unit is available to assist homeowners. Contact us at (212) 381-0701 or StormHelp@nylag.org