

FHA Issues Final Guidance for Federal Flood Risk Management Standards for New Construction Properties Located in Special Flood Hazard Areas

Today, the Federal Housing Administration (FHA) published [Mortgagee Letter \(ML\) 2024-20, Adoption of Federal Flood Risk Management Standard \(FFRMS\) for Minimum Property Standards \(MPS\) in Special Flood Hazard Areas \(SFHA\)](#). This ML updates FHA's Minimum Property Standards (MPS) for all newly built single-family residential structures – except for manufactured homes – being financed through the FHA Single Family program.

With this ML, FHA is implementing the provisions of the final rule, [Floodplain Management and Protection of Wetlands; Minimum Property Standards for Flood Hazard Exposure; Building to the Federal Flood Risk Management Standard](#), published on April 23, 2024. This final rule revised HUD's regulations governing floodplain management and the protection of wetlands to implement the FFRMS in accordance with [Executive Order 13690, Establishing a Federal Flood Risk Management Standard and a Process for Further Soliciting and Considering Stakeholder Input](#) dated January 30, 2015.

In accordance with the provisions of the final rule, FHA's MPS are updated to require that the lowest floor in newly constructed dwellings located within the [1-percent-annual-chance \(100-year\) floodplain](#) be built at least two feet above the base flood elevation as determined by FEMA. This elevation standard would be applicable to FHA-insured mortgages on homes that:

- are new construction; and
- have a building permit application submission, or their equivalent, dated on or after January 1, 2025.

HUD estimates that elevating new construction dwellings in flood-prone areas to meet the FFRMS could lead to homeowner savings of \$56.4 million to \$324.3 million over the expected 40-year economic life of the properties. These anticipated savings should result from:

- reduced property damage;
- avoidance of relocation;
- avoidance of temporary housing expenses;
- avoidance of lost income due to flooding; and
- potentially, lower flood insurance premiums.

Adopting the FFRMS is crucial for improving community resilience to flood exposure and decreasing potential flood damage, while ensuring the safety and soundness of properties secured by FHA-insured financing.