



October 6, 2017

Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

RE: Premiums Under the National Flood Insurance Program as a Share of Household Income

Dear Congresswoman:

In September 2017, the Congressional Budget Office published *The National Flood Insurance Program: Financial Soundness and Affordability*.¹ This letter responds to a request from your staff for additional information about that report.

A section of that report compares premiums under the National Flood Insurance Program (NFIP) with household income. Figure 5 (page 22) illustrates the finding that for most census tracts included in the analysis, the *median premium* for a policy on a primary single-family home was between 0.5 percent and 1.5 percent of the median household income in that census tract.² (CBO did not have access to data on household income for individual NFIP policyholders, so the agency relied on median household income by census tract.)

In response to the request for additional information, CBO compared *actual premiums* for 2.5 million policies covering primary single-family homes with the median income of single-family households in the census tracts in which the insured homes were located (see Figure 1 below). For most policies in the analysis, CBO found that the *actual premium* was between 0.45 percent and 1.70 percent of the median household income for single-family households within the same census tract. (The median was 0.75 percent.) Roughly 8 percent of premiums were below 0.35 percent of the relevant median household income, 14 percent of premiums were above 2.0 percent of that income, and 6 percent of premiums were above 3.0 percent of that income. (Those income values are reported to the nearest 0.05 percent.)

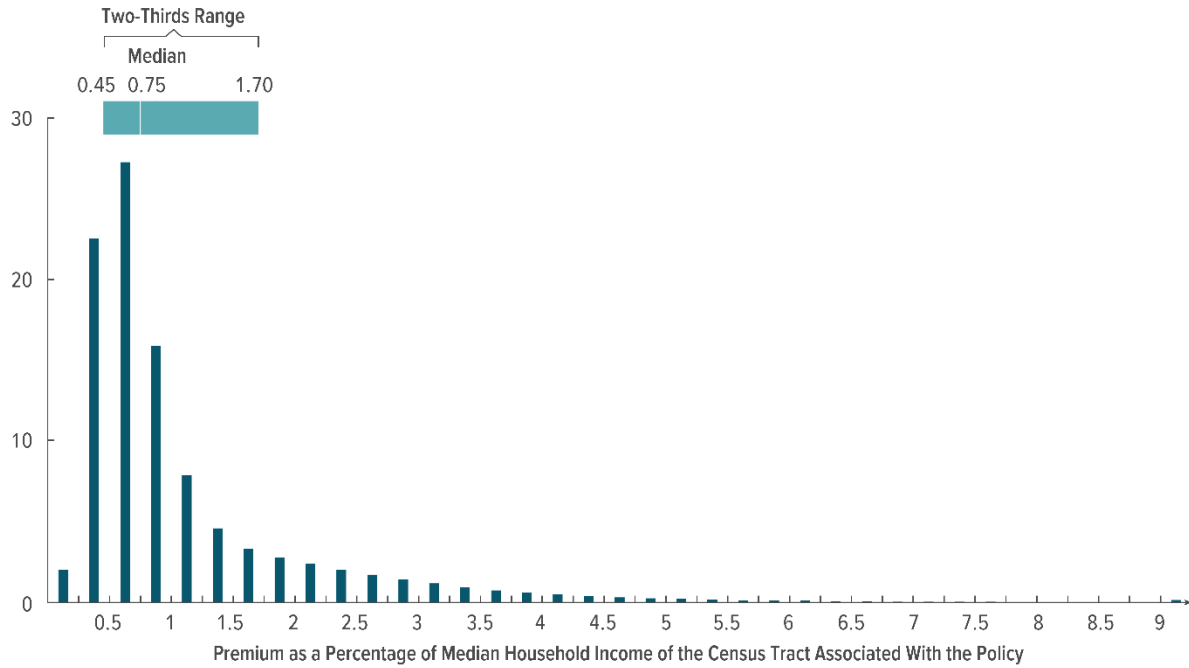
¹ Congressional Budget Office, *The National Flood Insurance Program: Financial Soundness and Affordability* (September 2017), www.cbo.gov/publication/53028.

² Census tracts are relatively permanent, statistical subdivisions of counties (or equivalent entities) that generally are home to 1,000 to 8,000 people and—at the time they are drawn—are designed to be roughly homogeneous with respect to population characteristics, economic status, and housing stock.

Figure 1.

Share of NFIP Policies Covering Single-Family Homes for Which the Premium Makes Up a Certain Percentage of the Median Single-Family Household Income in the Census Tract In Which the Insured Home Is Located

Percent



Source: Congressional Budget Office, using data from the Federal Emergency Management Agency and the Census Bureau.

The data encompass the 2.5 million primary single-family NFIP residential policies (including policies for single-family homes and individually insured condominiums) in effect in the 50 U.S. states and the District of Columbia on August 31, 2016. Policies for nonprimary residences were excluded because the owners, whose primary residence may be in a different jurisdiction, may have income that is not represented by the median income for the census tract in which the property is located.

The median is the figure corresponding to the middle of the distribution, and the two-thirds range is the central two-thirds of the distribution.

NFIP = National Flood Insurance Program.

I hope that you find this information helpful; if you wish to have further information we will be pleased to provide it. The primary staff contact for this analysis is Terry Dinan.

Sincerely,

Keith Hall
Director

cc: Honorable Jeb Hensarling
Chairman