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How Does HUD's New FFRMS Rule Impact FHA-Insured Projects?

On April 23, 2024, HUD adopted a [final rule](#) to implement the Federal Flood Risk Management Standard (FFRMS). For new construction of one- to four-unit residential properties located in a Special Flood Hazard Area (SFHA) and insured under FHA Single Family mortgage insurance programs, the rule revises HUD's Minimum Property Standards (MPS) to require that the lowest floor be at least two feet above base flood elevation (BFE).

If a community does not have a similar 2-foot freeboard requirement in its floodplain regulations, it risks severely limiting homeownership opportunities, as homebuyers may no longer be able to access HUD-financed homes in these areas.

To help floodplain managers navigate these changes, ASFPM has developed an [article](#) and this FAQ to clarify how the rule impacts your community and what you can do to ensure compliance.

FAQ about the HUD FFRMS final rule requirements for the FHA mortgages

1. What is an FHA loan?

Federal Housing Administration (FHA) loans are mortgages intended for certain borrowers who might find it difficult to obtain loans otherwise. The federal government insures FHA loans, which are issued by private lenders, such as banks and credit unions. So, in reality, FHA loans or mortgages are those insured by FHA mortgage insurance programs.

2. What are HUD's Minimum Property Standards (MPS)?

Newly constructed single-family properties in HUD's mortgage insurance programs (this includes FHA single family and FHA multi-family programs) are generally required to meet HUD's Minimum Property Standards (MPS) under the federal regulations found in [24 CFR 200.926](#) through [200.926e](#). These property standards require that all newly constructed properties with a HUD-insured mortgage meet basic livability and safety standards and are code compliant.

3. What did the final rule change with concern to the Minimum Property Standards (MPS)?

The final rule amends the MPS on site design, specifically the standards addressing drainage and flood hazard exposure. This will decrease potential damage from floods, increase the safety and soundness of the property for residents, and provide for more resilient communities in flood hazard areas.

More specifically, the final rule revises the MPS by requiring the lowest floor (including basements and other permanent enclosures) of newly constructed dwellings, within the special flood hazard area (SFHA or 1-percent-annual-chance floodplain), to be at least two feet above the base flood elevation as determined by best available information. For one- to four-unit housing under HUD's mortgage insurance and low-rent public housing programs, HUD's MPS previously required that new construction, located in the SFHA on the effective FIRM, be elevated to the effective FIRM base flood elevation. This final rule adds two feet of additional elevation to the base flood elevation as a resilience standard.

4. Doesn't the HUD final rule apply to the FFRMS floodplain?

Most of the rule deals with the multitude of programs that are under HUD and yes, for those programs, there is the consideration of the FFRMS floodplain. However, for the FHA single-family mortgage program, the Minimum Property Standards (MPS) only apply to the FEMA SFHA.

5. What about substantial damage or substantial improvement?

HUD's minimum property standards and the 2-foot freeboard requirement will only apply under the single-family FHA mortgage insurance program for new construction. However, typically when a community adopts a freeboard, it applies to both new construction and substantial damage/improvement communitywide, regardless of whether an FHA mortgage is involved.

6. What are the requirements for the purchase of manufactured homes insured under FHA Single Family programs?

Manufactured homes have their own elevation requirements, which are separate from this rulemaking. Elevation requirements for the placement/installation of manufactured homes are found in [Part 3285 Manufactured Home Construction and Safety Standards](#). However, there is one additional applicable requirement to be aware of that may exceed Part 2385: *The finished grade level beneath the manufactured home shall be at or above the 100-year return frequency flood elevation (24 CFR 203.43f(c)(i)).*

6. I understand the HUD rule also contains new notification requirements for floodplain hazards; do those apply?

While the new HUD rule floodplain hazard notification requirements apply to most HUD programs, they do not apply to the HUD single-family FHA mortgage program. However, a local

official will likely encounter HUD programs where the notification requirements do apply, such as with Section 8 housing vouchers, FHA's multi-family housing mortgage program, and with projects funded by HUD's Community Development Block Grant Disaster Recovery (CDBG-DR) program. In the case of these other programs, the floodplain hazard notification requirements will apply for any party participating in a financial transaction for a property located in a floodplain and any current or prospective tenant. For more information, see Section E of the Final rule [here](#).

7. As a local official, who else should I help make aware of this new freeboard requirement?

In addition to community leaders who may wish to update local codes and standards, it would be good to inform local builders and realtors who are active in the community as well as housing agencies and anyone who is involved with new construction in the floodplain.

8. Whose job is it to enforce the updated Minimum Property Standards?

While a local floodplain manager must enforce all locally adopted floodplain management standards, HUD enforces the FHA minimum property standards for the purposes of evaluating whether to approve an FHA insured mortgage through FHA-approved appraisers. An FHA Roster Appraiser provides a preliminary verification of the property's compliance with HUD's Acceptability Criteria, including Minimum Property Requirements (MPR) and Minimum Property Standards (MPS). Mortgagees are primarily responsible for the final determination of the property eligibility. For new construction in SFHAs, the mortgagees rely on the builder's self-certified assessment of site analysis information ([HUD-92541](#)) and FEMA NFIP Elevation Certificate ([FF-206-FY-22-152](#)) to reach their determination. Additionally, they must ensure that flood insurance is obtained when required.

For more on the FFRMS final rule, [visit HUD's FAQ page](#).