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*. 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. (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.)

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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.

[www.cbo.gov](http://www.cbo.gov)
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