



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Date: June 27, 2025

Mortgagee Letter 2025-17

To: All FHA-Approved Mortgagees
All Direct Endorsement Underwriters
All Eligible Submission Sources for Condominium Project Approvals
All FHA Roster Appraisers
All FHA-Approved 203(k) Consultants
All HUD-Certified Housing Counselors
All HUD-Approved Nonprofit Organizations
All Governmental Entity Participants
All Real Estate Brokers
All Closing Agents

Subject Rescission of Federal Flood Risk Management Standard (FFRMS) for New Construction Eligibility

Purpose This Mortgagee Letter (ML) rescinds policy established in ML 2024-20, *Adoption of Federal Flood Risk Management Standard (FFRMS) for Minimum Property Standards (MPS) in Special Flood Hazard Areas (SFHA)*, and generally restores the eligibility standard that preceded the ML.

Effective Date The provisions of this ML are effective immediately for the duration of any waiver period applicable to these requirements.

All updates will be incorporated into a forthcoming update of the HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook* (Handbook 4000.1).

Affected Programs The provisions of this ML apply to all FHA Title II Single Family forward mortgage and Home Equity Conversion Mortgage (HECM) programs.

Background On November 7, 2024, HUD published ML 2024-20, *Adoption of Federal Flood Risk Management Standard (FFRMS) for Minimum Property Standards (MPS) in Special Flood Hazard Areas (SFHA)*. ML 2024-20 implemented an increase in the base flood elevation requirement for FHA New Construction in accordance with the final rule, *Floodplain*

Management and Protection of Wetlands; Minimum Property Standards for Flood Hazard Exposure; Building to the Federal Flood Risk Management Standard (FFRMS) [Docket No. FR-6272-F-02], that amended 24 CFR § 200.926d(c)(4), *Drainage and flood hazard exposure*.

In compliance with President Trump’s Executive Order, *Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis*, which includes pursuing appropriate actions to lower the cost of housing and expand the housing supply, on February 21, 2025, HUD promptly issued a one-year [temporary partial waiver](#) of this burdensome flood elevation standard. Without this regulatory waiver and the associated [Handbook 4000.1 waiver](#), the new standard would have limited the land available for development and increased the cost of construction for FHA-insured Single Family Properties, thereby contributing to the insufficient supply of New Construction housing and rising home prices.

This ML is necessary for the duration of the waiver to restore the previously established policy and provide clarity on the current applicable standards for New Construction property eligibility and documentation requirements.

Summary of Changes

This ML:

- restores section titles and policy in Eligibility for New Construction in SFHAs (II.A.1.b.iv(A)(1)(b) and II.B.2.b.iii(A)(4)(b));
- restores section titles in Eligibility for Existing Construction in SFHAs (II.A.1.b.iv(A)(1)(c) and II.B.2.b.iii(A)(4)(c));
- restores section titles in Eligibility for Condominiums in SFHAs (II.A.1.b.iv(A)(1)(d) and II.B.2.b.iii(A)(4)(d));
- restores section titles and policy in Eligibility for Manufactured Housing in SFHAs (II.A.1.b.iv(A)(1)(e) and II.B.2.b.iii(A)(4)(e)); and
- restores requirements for New Construction in Site Considerations – Flood Hazard Areas (II.A.8.i.vii(A)(5)).

The Handbook 4000.1 sections impacted by this ML are provided in [Attachment 1](#), with changes tracked in redline, to help users clearly identify the policy requirements being revised or removed from the Handbook.

FHA Single Family Housing Policy Handbook 4000.1

Special Flood Hazard Areas (II.A.1.b.iv(A)(1))
(b) Eligibility for New Construction in SFHAs

If any portion of the dwelling and related Structures or equipment essential to the Property Value is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee:

Origination through Post-Closing/Endorsement

- obtains a FEMA-issued final LOMA or LOMR that removes the Property from the SFHA; or
- obtains a FEMA NFIP Elevation Certificate ([FEMA Form FF-206-FY-22-152](#)). The Elevation Certificate must document that the lowest floor of the residential building, including the basement, and all related Structures or equipment essential to the Property Value are built above the 100-year flood elevation in compliance with the NFIP criteria; and
- ensures the Borrower obtains Flood Insurance.

(c) Eligibility for Existing Construction in SFHAs

When any portion of the residential improvements is determined to be located within an SFHA, Flood Insurance must be obtained.

(d) Eligibility for Condominiums in SFHAs

The Mortgagee must ensure the Condominium Association obtains Flood Insurance on buildings located within the SFHA. The Flood Insurance coverage must protect the interest of the Borrowers who hold title to an individual unit, as well as the common areas of the Condominium Project.

(e) Eligibility for Manufactured Housing in SFHAs

The finished grade level beneath the Manufactured Home must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling and related Structures or equipment essential to the Property Value for both new and existing Manufactured Homes is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee:

- obtains a FEMA-issued LOMA or LOMR that removes the Property from the SFHA; or
- obtains a FEMA NFIP Elevation Certificate ([FEMA Form FF-206-FY-22-152](#)) showing that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation; and
- ensures the Borrower obtains Flood Insurance.

Site Considerations (II.A.8.i.vii(A))

(5) Flood Hazard Areas

If any portion of the dwelling and related Structures or equipment essential to the Property Value is located in a Special Flood Hazard Area (SFHA), the Mortgagee must reject the Property, unless the Mortgagee:

- obtains a Federal Emergency Management Agency (FEMA)-issued final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the Property from the SFHA; or
- obtains a FEMA National Flood Insurance Program (NFIP) Elevation Certificate ([FEMA Form FF-206-FY-22-152](#)) that documents that the lowest floor of the residential building, including the basement, and all related Structures or equipment essential to the Property Value are built above the 100-year flood elevation in compliance with the NFIP criteria; and
- ensures that the Elevation Certificate is completed based on finished construction.

The Mortgagee must include the LOMA, LOMR, or FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152) with the case when it is submitted for endorsement.

The Mortgagee must ensure that Flood Insurance is obtained when a FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152) documents that the Property remains located within an SFHA.

Special Flood Hazard Areas (II.B.2.b.iii(A)(4))

(b) Eligibility for New Construction in SFHAs

If any portion of the dwelling and related Structures, or equipment essential to the Property Value is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee:

- obtains a FEMA-issued final LOMA or LOMR that removes the Property from the SFHA; or
- obtains a FEMA NFIP Elevation Certificate ([FEMA Form FF-206-FY-22-152](#)). The Elevation Certificate must document that the lowest floor of the residential building, including the basement, and all related Structures or equipment essential to the Property Value are built above the 100-year flood elevation in compliance with the NFIP criteria; and
- ensures the Borrower obtains Flood Insurance.

See the HECM for Purchase product sheet for [additional requirements](#).

(c) Eligibility for Existing Construction in SFHAs

When any portion of the residential improvements is determined to be located within an SFHA, Flood Insurance must be obtained.

(d) Eligibility for Condominiums in SFHAs

The Mortgagee must ensure the Condominium Association obtains Flood Insurance on buildings located within the SFHA. The Flood Insurance coverage must protect the interest of the Borrowers who hold title to an individual unit, as well as the common areas of the Condominium Project. See [Flood Insurance \(Existing Construction\)](#).

(e) Eligibility for Manufactured Housing in SFHAs

The finished grade level beneath the Manufactured Home must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling and related Structures or equipment essential to the Property Value for both new and existing Manufactured Homes is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee:

- obtains a FEMA-issued LOMA or LOMR that removes the Property from the SFHA; or
- obtains a FEMA NFIP Elevation Certificate ([FEMA Form FF-206-FY-22-152](#)) showing that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation; and
- ensures the Borrower obtains Flood Insurance.

Paperwork Reduction Act

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0005; 2502-0059; 2502-0117; 2502-0189; 2502-0302; 2502-0306; 2502-0322; 2502-0358; 2502-0404; 2502-0414; 2502-0429; 2502-0494; 2502-0496; 2502-0524; 2502-0525; 2502-0527; 2502-0538; 2502-0540; 2502-0556; 2502-0561; 2502-0566; 2502-0570; 2502-0583; 2502-0584; 2502-0589; 2502-0600; 2502-0610; and 2502-0611. In accordance with the PRA, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Feedback or Questions

HUD welcomes feedback from interested parties and will consider feedback in determining the need for future updates. Any feedback or questions regarding this ML may be directed to the FHA Resource Center at 1-800-CALLFHA (1-800-225-5342), answers@hud.gov, or www.hud.gov/answers. The FHA Resource Center is prepared to accept calls from persons who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. Information on how to make an accessible phone call is available at <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>.

Mortgagee Letter 2025-17, Continued

Signature

Frank Cassidy
Principal Deputy Assistant Secretary for Housing

Attachment 1
Handbook 4000.1 Pages Impacted by this Mortgagee Letter

The Handbook 4000.1 sections impacted by this Mortgagee Letter (ML) are provided in this attachment, with changes tracked in redline, to help users clearly identify the policy requirements being revised or removed from the Handbook.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

1. Origination/Processing

(v) Required Reporting

The Mortgage must report the required Flood Insurance information in the insurance application screen in FHAC.

(b) Eligibility for New Construction ~~of Site Built Housing or Units in Condominium Project or Legal Phase~~ in SFHAs

If any portion of the dwelling and related Structures or equipment essential to the Property Value is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee:

- obtains a FEMA-issued final LOMA or LOMR that removes the Property from the SFHA; or
- obtains a FEMA NFIP Elevation Certificate ([FEMA Form FF-206-FY-22-152](#)), ~~based on the finished construction, documenting that when the building permit application submission date, or its equivalent date, is:~~
 - ~~before January 1, 2025, The Elevation Certificate must document that~~ the lowest floor of the residential building, including the basement, and all related Structures or equipment essential to the Property Value are built ~~at or~~ above the 100-year flood elevation in compliance with the NFIP criteria; ~~or and~~
 - ~~on or after January 1, 2025, the lowest floor of the property improvements, including the basement and other permanent enclosures, and all related Structures or equipment essential to the Property Value are at least two feet above the FEMA-determined Base Flood Elevation (BFE).~~
- ensures the Borrower obtains Flood Insurance.

~~The Mortgagee must ensure that Flood Insurance is obtained when a FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152) documents that the Property remains located within an SFHA.~~

~~The building permit application submission date, or its equivalent date, will be required on form [HUD-92541, Builder's Certification of Plans, Specifications, and Site](#). In jurisdictions where building permits are not issued, an equivalent application submission date represents the request for jurisdictional approval to start construction. The construction start date serves as the equivalent date when no prior application submission date is available.~~

(c) Eligibility for Existing Construction ~~of Site Built Housing~~ in SFHAs

When any portion of the residential improvements is determined to be located within an SFHA, Flood Insurance must be obtained.

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

1. Origination/Processing

(d) Eligibility for ~~Existing Construction~~ Condominiums in SFHAs

The Mortgagee must ensure the Condominium Association obtains Flood Insurance on buildings located within the SFHA. The [Flood Insurance coverage](#) must protect the interest of the Borrowers who hold title to an individual unit, as well as the common areas of the Condominium Project.

(e) Eligibility for ~~Existing and New Construction~~ Manufactured Housing in SFHAs

The finished grade level beneath the Manufactured Home must be at or above the 100-year return frequency flood elevation. If any portion of the dwelling and related Structures or equipment essential to the Property Value for both new and existing Manufactured Homes is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee:

- obtains a FEMA-issued LOMA or LOMR that removes the Property from the SFHA; or
- obtains a FEMA NFIP Elevation Certificate ([FEMA Form FF-206-FY-22-152](#)) showing that the finished grade beneath the Manufactured Home is at or above the 100-year return frequency flood elevation; and
- **ensures the Borrower obtains Flood Insurance.**

~~The Mortgagee must ensure that Flood Insurance is obtained when a FEMA NFIP Elevation Certificate (FEMA Form FF-206-FY-22-152) documents that the Property remains located within an SFHA.~~

(f) Restrictions on Property Locations within Coastal Barrier Resources System

In accordance with the [Coastal Barrier Resources Act](#), a Property is not eligible for FHA mortgage insurance if the improvements are or are proposed to be located within the [Coastal Barrier Resources System](#).

(2) Seller Must Be Owner of Record

(a) Standard

To be eligible for a mortgage insured by FHA, a Property must be purchased from the owner of record. The transaction may not involve any sale or assignment of the sales contract.

(b) Required Documentation

The Mortgagee must obtain documentation verifying that the seller is the owner of record.

II. ORIENTATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

8. Programs and Products - New Construction (04/10/2025)

vii. Mortgagee Review of Appraisal

(A) Site Considerations

(1) Environmental

The Mortgagee must require corrective work to mitigate any condition that arises during construction that may affect the health and safety of the occupants, the Property's ability to serve as collateral, or the structural soundness of the improvements.

(2) Operating Oil or Gas Wells

If a New Construction dwelling is located within 75 feet of an operating oil or gas well, the Mortgagee must reject the Property unless mitigation measures are completed.

(3) Slush Pits

If a Property is Proposed Construction near an active or abandoned Slush Pit, the Appraiser must require a survey to locate the pit. The Mortgagee is to assess any impact on the subject Property.

(4) Special Airport Hazards

If a New Construction Property is located within Runway Clear Zones (also known as Runway Protection Zones) at civil airports or within Clear Zones at military airfields, the Mortgagee must reject the Property for insurance.

Properties located in Accident Potential Zone 1 (APZ 1) at military airfields may be eligible for FHA mortgage insurance provided that the Mortgagee determines that the Property complies with Department of Defense guidelines.

(5) Flood Hazard Areas

~~A New Construction Property must meet:~~

- ~~• the Eligibility for New Construction of Site Built Housing or Units in Condominium Project or Legal Phase in SFHAs requirements; or~~
- ~~• the Eligibility for Existing and New Construction Manufactured Housing in SFHAs requirements.~~

If any portion of the dwelling and related Structures or equipment essential to the Property Value is located in a Special Flood Hazard Area (SFHA), the Mortgagee must reject the Property, unless the Mortgagee:

- obtains a Federal Emergency Management Agency (FEMA)-issued final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) that removes the Property from the SFHA; or

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

A. Title II Insured Housing Programs Forward Mortgages

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(6) Individual Water Supply Systems (Wells)

The Mortgagee must ensure that new wells are drilled and are no less than 20 feet deep and cased. Casing should be steel or other casing material that is durable, leak-proof, and acceptable to either the local health authority or the trade or profession licensed to drill and repair wells in the local jurisdiction.

A well located within the foundation walls of New Construction is not acceptable except in arctic or subarctic regions.

(a) Requirements for Well Water Testing

A well water test is required for all newly constructed Properties.

All testing must be performed by a disinterested third party. This includes the collection and transport of the water sample collected at the water supply source. The sample must be collected and tested by the local health authority, a commercial testing laboratory, a licensed sanitary engineer, or other party that is acceptable to the local health authority. At no time will the Borrower/owner or other Interested Party collect and/or transport the sample.

The following tables provide the minimum distance required between wells and sources of pollution:

II. ORIGINATION THROUGH POST-CLOSING/ENDORSEMENT

B. Title II Insured Housing Programs Reverse Mortgages

2. Origination/Processing

absence of the PFI Policy Compliance Aid within the policy, a Mortgagee may review the policy to determine if it meets FHA requirements or rely on the insurance agent or carrier to separately provide the PFI Policy Compliance Aid language.

(iv) Required Documentation

For Properties located within an SFHA, the Mortgagee must include in the case binder:

- a Life of Loan Flood Certification for all Properties;
- if applicable, include a:
 - FEMA Letter of Map Amendment (LOMA);
 - FEMA Letter of Map Revision (LOMR); or
 - FEMA NFIP Elevation Certificate ([FEMA Form FF-206-FY-22-152](#)); and
- a copy of the certificate of Flood Insurance or complete copy of the Flood Insurance policy, if required.

(v) Required Reporting

The Mortgagee must report the required Flood Insurance information in the insurance application screen in FHAC.

(b) Eligibility for New Construction ~~of Site-Built Housing or Units in Condominium Project or Legal Phase~~ in SFHAs

If any portion of the dwelling and related Structures, or equipment essential to the Property Value is located in an SFHA, the Property is not eligible for FHA mortgage insurance, unless the Mortgagee:

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- ~~on or after January 1, 2025, the lowest floor of the property improvements, including the basement and other permanent enclosures, and all related Structures or equipment essential to the Property Value are at least two feet above the FEMA-determined Base Flood Elevation (BFE).~~
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- **[ensures the Borrower obtains Flood Insurance](#).**

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