

Fact Sheet: NFIP “Substantial Damage” – What Does It Mean?

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The decision about a structure being “substantially damaged” is made at the local government level, generally by a building official or floodplain manager.

Substantial damage applies to a structure in a Special Flood Hazard Area (SFHA) – or a 1-percent-annual-chance floodplain – for which the total cost of repairs is 50 percent or more of the structure’s market value before the disaster occurred, **regardless of the cause of damage**. This percentage could vary among jurisdictions, but must not be below National Flood Insurance Program (NFIP) standards. If the substantial damage calculation is to be used for the NFIP benefit, Increased Cost of Compliance, the qualifying damage must be from flood only and the community’s declaration must state so.

For example, if a structure’s market value before the damage was \$200,000 and repairs are estimated to cost \$120,000, that structure is substantially damaged. Land value is excluded from the determination.

For communities that participate in the NFIP, substantial damage determinations are required by local floodplain-management ordinances. These rules must be in place for residents of a community to purchase flood insurance through the NFIP.

FEMA does not make a determination of substantial damage and does not notify any property owner of a damage determination. FEMA damage assessment teams may be asked to respond to local requests to assess the extent of disaster-caused damage to some structures. The data is provided to local jurisdictions, which may make substantial damage determinations based on their own ordinances. That information helps property owners decide whether to, or how to, repair or replace a damaged dwelling, and whether additional work will be needed to comply with local codes and ordinances, such as elevating a structure in a SFHA.



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If a building in a floodplain is determined by the local official to be substantially damaged, it must be brought into compliance with local floodplain management regulations.

Owners may decide to:

- Elevate their structures, or change them in some other way to comply with those local floodplain regulations and avoid future losses;
- Relocate or demolish the structure; or,
- Flood proof a non-residential structure.

All property owners should check with local building officials to determine which permits for repairs are required before beginning the work. Depending on local codes and ordinances, there can be serious consequences for not complying with the permitting process.

Property owners who have a flood insurance policy through the NFIP and a substantially damaged building (from flooding) in a SFHA may be able to use additional funds – known as Increased Cost of Compliance (ICC) – from their flood insurance policy (up to \$30,000) to help defray the costs of elevating, relocating, demolishing a structure, or flood proofing a non-residential structure.

For more information on ICC, contact your insurance agent.

In some cases, substantial damage determinations can lead to an acquisition process, commonly known as “buyout process,” wherein a community may choose to offer to purchase and demolish properties.

For more information, contact your local floodplain administrator, the NFIP (800-427-4661) or your local insurance agent.

If you use TTY, you can call the NFIP at 800-427-5593.

You can also email FloodSmart@dhs.gov to request information in a language other than English.

Information also is available at www.fema.gov and www.floodsmart.gov.

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