

**The impact of 2019 changes to Texas' flood disclosure requirements on house prices**

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# Overview

- Texas law change requiring seller to inform buyers if they're in a 500 hundred-year flood zone. Previously only 100-year zones had to disclose (and had to purchase flood insurance)
- Newly disclosed 500-year zone experience a 4.3% relative price decline
- Home in 100-year zone actually appreciate faster?
- Many more homes in the 500-year zone purchase flood insurance

# Data

- 2 million home sales with flood zone identified at time of transaction
- 2017-2022 (omitting 2012-2016)
- Number of insurance policies active
- FEMA Flood maps

# Specification:

$$Y_i = \alpha_1 Post_i + \gamma Treatment_i + \theta Post_i * Treatment_i + \beta X_i + \mu + \delta + \epsilon_i,$$

↑  
ln(Sales price)  
and weeks on  
market

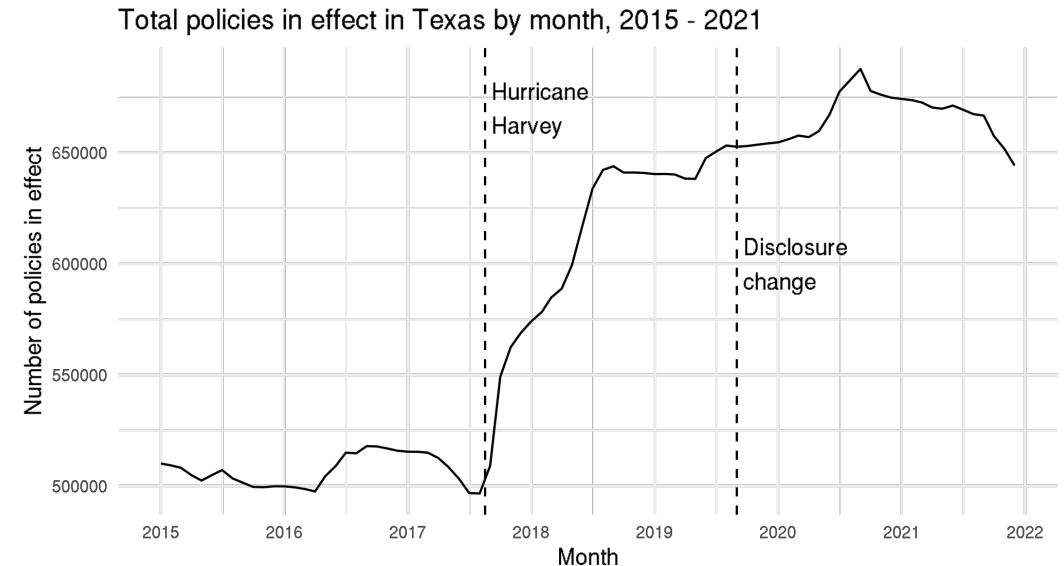
↑  
500-year zone  
or 100-year or  
claim status

↑  
treatment effect

- Maybe run separate regressions 500 vs 100, 500 vs negligible, negligible with claims vs not with claims?
- 2M observations... perhaps house fixed effects?
- Can we do better than zip-code level treatment assignment?
  - Here is an application where buffered control groups might be appropriate? Relatively small topographical variation and/or elevation changes could have a big effect on flood risk, no?

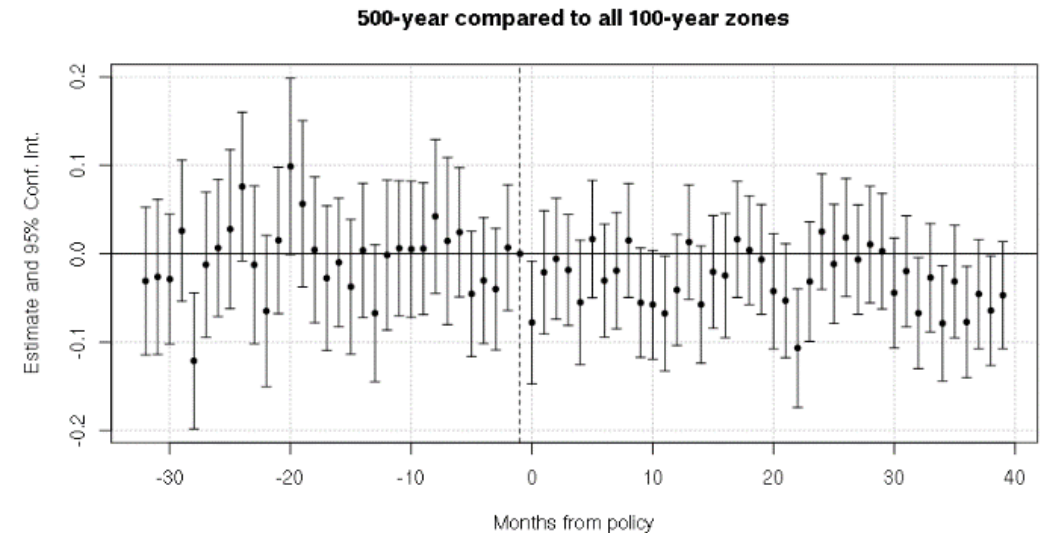
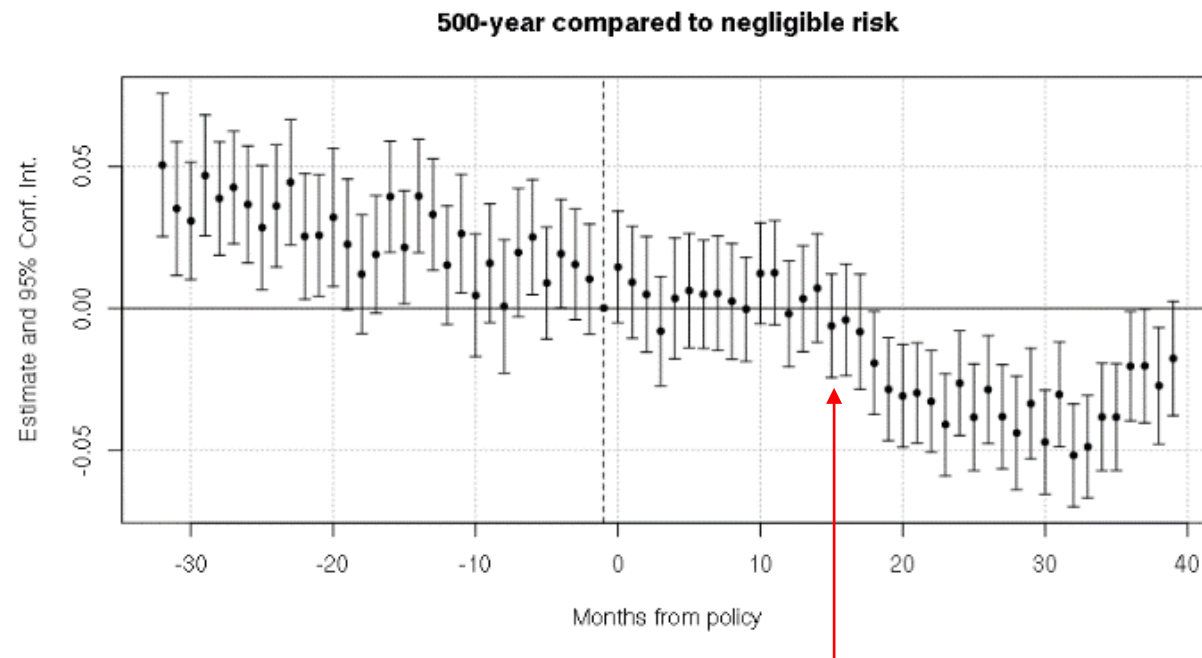
# Possible confounders?

- Changing FEMA maps? Does excluding changed zones resolve the problem?
- Can we isolate the disclosure effect (2019) from the shock of Hurricane Harvey (2017)
- What about the price of insurance?
  - Is FEMA modeling climate risk?



# Why might 100-year zones appreciate faster?

- Larger and less-risky risk pool may lower 100 year premiums?



Redfin disclosures?