



REED COLLEGE

ECONOMICS DEPARTMENT

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January 31, 2019

Representative Jeff Reardon
900 Court Street, NE H-473
Salem, Oregon 97301

Dear Representative Reardon,

We are writing in support of HB 2312. As researchers studying flood insurance and its effect on property sale prices, we have come to understand the problems that occur when property buyers are not fully informed about the risk of being in a floodplain nor about the cost of flood insurance.

We are members of a research team that conducted a survey in the Lents and Powellhurst-Gilbert neighborhoods in Portland, Oregon in the fall of 2018. Of the 86 survey respondents located in a 100-year floodplain, 20% first learned about the potential flood risk associated with their new home at closing, and an additional 29% learned after moving into their new home. Almost half of the property owners in our survey learned too late in the process that their new home is in a special flood hazard area.

Our survey also asked property owners when they first learned about the cost of flood insurance, which had a median cost as of March 2018 of \$1,030 for the zip code (97266) that includes our study area. Twenty-six percent of our survey respondents indicated that they first learned about the cost of flood insurance during closing and an additional 38% stated that they learned about the cost of flood insurance after moving into their new homes. In total, 64% of our respondents learned about the cost of flood insurance too late in the process.

Our findings are echoed by other research, which has also found that the federal requirement for lenders to inform borrowers about flood insurance occurs too late in the home buying process. As economists, we know that markets cannot work efficiently without full and complete information. HB 2312 would help to provide needed information much earlier in the home sale process. With this law, Oregon would join 29 other states that have some form of flood disclosure in place.

Sincerely yours,

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