



Using CDBG Funds for Homeowners Insurance

The affordability of property and home insurance has become a significant challenge for many homeowners and prospective homebuyers across the country. Simultaneously, increasing frequency and intensity of natural disasters and extreme weather events are impacting the number of insurance providers in areas and driving up insurance prices.

As state and local governments work to support low- and moderate-income homeowners or homebuyers, providing assistance for insurance payments can ease cost burdens and make housing more affordable. CPD funding, including Community Development Block Grant (CDBG) and CDBG-Disaster Recovery (CDBG-DR) funds, may be used to pay insurance premiums as part of a housing or emergency subsistence payments activity. Individuals or families must be income-eligible to receive assistance.

Identifying Local Need with CPD

Lack of insurance affordability and availability can be a barrier for homeownership for low- and moderate-income households. CPD grantees can identify this as a priority need in their Consolidated Plan and annual Action Plan.

Insurance Payment Support through CDBG

Eligible Activity:	Direct Homeownership Assistance	Housing Rehabilitation	Emergency Subsistence Payment* <small>*Eligible in limited circumstances</small>
Types of Assistance:	Payments for: <ul style="list-style-type: none"> All or part of a mortgage insurance premium required upfront by a mortgage lender After initial assistance, CDBG cannot be used towards annual premium payments.	Payments for: <ul style="list-style-type: none"> Initial homeowner warranty premiums Hazard insurance premiums Flood insurance premiums (for properties covered by the Flood Disaster Protection Act of 1973) 	Payments for: <ul style="list-style-type: none"> Insurance portion of a mortgage payment when included with the principal, interest, taxes, and insurance (PITI) CDBG funds used towards PITI must be paid directly to the mortgage company on behalf of the beneficiary.
Time Period of Assistance:	One-time payment of initial mortgage insurance premium	One-time payment of first-year premium	One-time payment of PITI
Regulations:	24 CFR 570.208(a)(3) or 24 CFR 570.483(b)(3)	24 CFR 570.202(b)	24 CFR 570.207(b)(4)

Note, Congress may appropriate CDBG-DR funds when there are significant unmet needs for long-term disaster recovery. CDBG-DR may allow additional flexibilities to pay all or a portion of insurance premiums. Grantees should check their applicable Federal Register notice for additional flexibilities.