



## Statement for the Record

### Committee on Economic Matters Bill Hearing: HB200

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Chair Valderrama, Vice Chair Charkoudian, and other members of the Committee:

Thank you for the opportunity to testify in support of HB200. My name is Joel Scata, and I am the Senior Attorney for the Climate Adaptation Team at the Natural Resources Defense Council (NRDC). The Climate Adaptation Team is committed to helping communities prepare for and adapt to the impacts of climate change, including the growing risk of flooding.

### **Flooding in Maryland**

Maryland faces significant flood risks due to its unique geography and climate. The state's extensive coastline along the Chesapeake Bay and Atlantic Ocean makes it particularly vulnerable to coastal flooding from storm surges, especially during hurricanes and nor'easters. Additionally, Maryland's low-lying areas, particularly on the Eastern Shore, are increasingly threatened by sea level rise, which will very likely rise a foot between 2000 and 2050—as much as it did over the whole of the last century—and could rise a foot and a half.<sup>1</sup> The state also experiences inland flooding from its numerous rivers and streams, with increasingly intense precipitation events causing more frequent and severe flooding that can damage property and threaten lives,<sup>2</sup> and riverine flooding in communities along waterways like the Potomac, Patuxent, and Susquehanna rivers.

Climate change is amplifying Maryland's flood risks through multiple pathways. More intense rainfall events are occurring as warmer air traps more moisture,<sup>3</sup> leading to greater volumes of stormwater that can overwhelm drainage systems and cause rapid flooding. The Chesapeake Bay has seen some of the highest rates of sea level rise. This threatens not only coastal properties but also critical infrastructure, including roads, wastewater treatment facilities, and historic neighborhoods in cities

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<sup>1</sup> University of Maryland Center for Environmental Science, Sea-Level Rise Projections for Maryland 2023, <https://www.umces.edu/sea-level-rise-projections>

<sup>2</sup> University of Maryland Extension, Climate Change in Maryland, <https://extension.umd.edu/programs/environment-natural-resources/program-areas/coastal-climate-program/climate-change-maryland/>

<sup>3</sup> Maryland Department of the Environment, Resiliency and Water Resources Management: Water Supply in a Changing Climate, <https://mde.maryland.gov/programs/Air/ClimateChange/MCCC/Publications/IAN4182.pdf>

like Annapolis, where high tide flooding has become increasingly common, with projections showing 50-155 days of high tide flooding in 2050.<sup>4</sup>

## **The Cost of Flooding**

Floods are costly. Homes that have experienced flooding in the past are more likely to experience flood damage in the future, meaning buyers of previously flooded homes could be on the hook for tens of thousands of dollars in repairs.

Climate change is expected to increase flooding due to higher sea levels and more extreme rainstorms. This will likely increase the amount of expected flood damage for homes that have already been flooded previously. Over the course of homeownership, these costs can become significant expenses.

A study by Milliman, a independent risk assessment firm, found that a home buyer can incur tens of thousands of dollars in flood damage costs over the course of their mortgage if they purchase a previously flooded home.<sup>5</sup> The study assessed the potential impact of prior flood damage on home buyers in 25 states across the U.S. According to the study, over a typical 30-year loan period for a mortgage the buyer of a previously flooded home can expect to incur on average more than \$55,000 in flood damages.<sup>6</sup>

Maryland ranks high for flood-related costs. Per the study, owners of previously flooded homes are projected to pay an average of \$65,000 over the life of a 30-year mortgage.<sup>7</sup> Accounting for the impacts of climate change, the average amount rises to \$147,000.<sup>8</sup> States with inadequate or non-existent disclosure laws are putting unsuspecting buyers of previously flooded homes at substantially more risk of paying out of pocket for unexpected flood damages.

## **The Importance of Flood Disclosure**

Prospective home buyers deserve to know a property's flood history. Easily accessible and digestible information is central to informed decision-making about risk. Robust real estate disclosure laws provide an effective means for such risk communication.<sup>9</sup> These laws require sellers to disclose certain information about the property that they are selling, such as known defects, environmental hazards, or any other material facts that could affect the value or desirability of the property. For buyers, this means they can make more informed decisions about whether to proceed with a purchase and negotiate terms accordingly. By having access to relevant information upfront, buyers

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<sup>4</sup> University of Maryland Extension, Climate Change in Maryland, <https://extension.umd.edu/programs/environmental-natural-resources/program-areas/coastal-climate-program/climate-change-maryland/>

<sup>5</sup> Larry Baeder, Estimating undisclosed flood risk in real estate transactions, (Jan. 2025), <https://www.milliman.com/en/insight/estimating-undisclosed-flood-risk-real-estate>

<sup>6</sup> Flooding Can Put Unsuspecting Home Buyers Financially Underwater, <https://www.nrdc.org/bio/joel-scata/flooding-can-put-unsuspecting-home-buyers-financially-underwater>

<sup>7</sup> Maryland, [https://assets.milliman.com/downloads/NRDC/NRDC\\_Estimating-Undisclosed-Flood-Risk\\_MD.pdf](https://assets.milliman.com/downloads/NRDC/NRDC_Estimating-Undisclosed-Flood-Risk_MD.pdf)

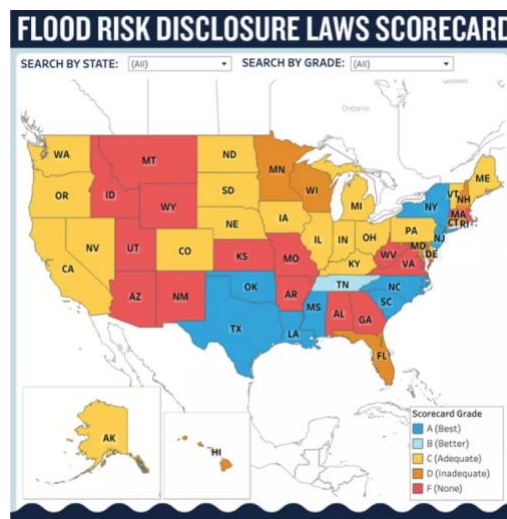
<sup>8</sup> Id.

<sup>9</sup> Rebecca Marx et al., *Without Robust Requirements That Sellers Disclose a Home's Flooding History, Buyers Are More At Risk*, URBAN INST. (July 21, 2020), <https://www.urban.org/urban-wire/without-robust-requirements-sellers-disclose-homes-flooding-history-buyers-are-more-risk> [<https://perma.cc/EVA9-PHPV>].

can avoid unpleasant surprises after closing, potentially saving them from costly repairs. Given purchasing a home is typically the biggest financial investment a person will make in their lifetime, it is critical that home buyers know of any conditions that could affect the longevity of their homes.<sup>10</sup>

Concerning natural hazards, strong real estate disclosure laws enable buyers to assess both past damages and the potential for future damages. For example, disclosing flood risk holds immense benefits. Transparency about flood risk enables informed decision-making, empowering individuals to take proactive measures to mitigate potential damages. By understanding the flood risk in a particular area, homeowners can make informed choices about property investments, insurance coverage, and disaster preparedness plans. Studies have shown robust flood risk disclosure requirements can affect property valuation, indicating buyers are receiving the correct market signal about risk and are acting accordingly.<sup>11</sup> Further, real estate disclosures are beneficial because home inspections do not fully inform a buyer about all the risks associated with a property. Home inspections can only reveal readily accessible and visible defects. If the defects are not accessible or have been repaired, then a home inspection is likely not to reveal them. However, a seller may know of the defect, such as if they suffered through a flood, and thus, should be required to disclose those defects to a potential buyer

Unfortunately, real estate disclosure requirements are not universal. NRDC reviewed all 50 states' real estate disclosure laws and found that in many places, home buyers are not given the information that they need to make informed decisions about whether they should buy a house, which is a major financial investment.



<sup>10</sup> EMILY SNYDER & CLAY KULESZA, LET THE BUYER BEWARE: A COMPARISON OF FLOOD-RELATED REAL ESTATE DISCLOSURE LAWS OF VIRGINIA AND OTHER STATES 3 (2020)

<sup>11</sup> WILLIAM MCCLAIN & NUNO MOTA, THE IMPACT OF 2019 CHANGES TO TEXAS' FLOOD DISCLOSURE REQUIREMENTS ON HOUSE PRICES 2, 3 (2024); *see also* Seunghoon Lee, *Adapting to Natural Disasters through Better Information: Evidence from the Home Seller Disclosure Requirement* 30 (MIT Ctr. for Real Est. Rsch. Paper No. 21/17) (finding disclosure policy is an effective risk management tool).

However, states are starting to correct that failing. Since 2018, 10 states (Florida, Hawaii, Maine, New Hampshire, New Jersey, New York, North Carolina, South Carolina, Texas, and Vermont) have enacted or improved their flood risk disclosure laws.<sup>12</sup>

And that demand for flood risk disclosure is broad across the political spectrum. In a nationwide survey, seventy-four percent of respondents were in favor of a national standard that would require potential home buyers to be told if a property had previously flooded.<sup>13</sup> Recent legislative action and strong support for disclosure clearly show that people want to know whether their potential home is flood prone. Those states that are failing to act are not only keeping their residents in the dark about flooding but also are increasingly on the wrong side of a landscape changing in favor stronger flood disclosure.

### **Lack of Flood Disclosure in Maryland**

Currently, Maryland keeps home buyers in the dark concerning a property's flood history. Maryland law only requires a seller to disclose whether a property is in a flood zone, conservation area, wetlands area, or Chesapeake Bay critical area. There is no explicit statutory or regulatory requirement to disclose whether there have been any flood damages to structures on the property nor is there a specific requirement to disclose whether a property is mandated to be covered by flood insurance.<sup>14</sup> Only disclosing flood zone status is insufficient. FEMA flood maps are often out-of-date and underrepresent flood risk. This is borne out in the fact that National Flood Insurance Program (NFIP) policy holders outside of the SFHA, file more than 40 percent of NFIP claims.<sup>15</sup> As such, NRDC gave Maryland "D" grade.

This problem could be solved simply by giving home buyers the right to information, information that the seller of a home may have and should be required to provide. HB200 provides the solution.

### **The benefits of HB200**

HB200 would amend Maryland law to require disclosure of flood history and risk, providing homebuyers with vital information to assess risks and protect their families. In particular, HB200 would let home buyers know whether:

- the property is subject to a requirement under federal law that requires the owner to obtain and maintain flood insurance;
- the seller has knowledge of any past occurrence where an owner received aid for flood damage on the property from the Federal Emergency Management Agency, the US Small Business Administration, or other federal disaster assistance program;
- the seller currently has flood insurance for the property;
- there is an elevation certificate available for the property;

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<sup>12</sup> Joel Scata, Growing Nationwide Trend of States Requiring Flood Disclosure, NRDC,

<https://www.nrdc.org/bio/joel-scata/growing-nationwide-trend-states-requiring-flood-disclosure>

<sup>13</sup> Pew Flood Insurance Survey 2019 <https://www.pew.org/-/media/assets/2019/06/pew-charitable-trusts-flood-policy-survey-disclosure-summary.pdf>

<sup>14</sup> How States Stack Flood Disclosure, NRDC, <https://www.nrdc.org/resources/how-states-stack-flood-disclosure>

<sup>15</sup> FEMA, Fact Sheet: Myths and Facts About Flood Insurance (July 15, 2022)

- the seller has knowledge of any claims filed for flood damage to the property, including with the National Flood Insurance Program; and
- the seller has knowledge that the property experiences, or has experienced, any flood damage, water seepage, or pooled water due to a natural flooding event, including flooding caused by heavy rainfall, a coastal storm surge, tidal inundation, or river overflows.

Disclosures about past flooding, claims, federal flood insurance requirements, and floodplain status are essential for making informed decisions that ensure safety and financial security. Adoption of HB200 would move Maryland from a “D” to an “A” grade and align it with states like Louisiana, North Carolina, South Carolina, and Texas.

### **Support HB200**

Finding a home is one of the most significant financial decisions most people will ever make — and without access to crucial information about flood risks, homebuyers are left vulnerable to potentially devastating financial loss. It’s essential that Maryland legislators act now to make sure future homeowners are equipped with the knowledge they need to protect both their investment and their families from the growing threat of flooding. Please support passage of HB200.

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