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January 23, 2017

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
2228 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
2221 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

As you know, the National Flood Insurance Program (NFIP) is up for reauthorization on September 30, 2017. The National Association of REALTORS® (NAR) is encouraged that the Financial Services Committee is placing an early priority on NFIP Reauthorization. On December 6, 2016, Housing and Insurance Subcommittee Chairman Blaine Luetkemeyer unveiled principles for NFIP reauthorization, including reforms and enhancements to flood mapping and mitigation programs while taking important next steps toward a competitive, innovative and complementary flood insurance market that gives consumers choices.

NAR believes that Chairman Luetkemeyer's principles include the necessary elements for a complete reauthorization and reform package. Together, these principles outline a solid platform upon which to build more detailed reform proposals that meet the needs of policyholders while placing the NFIP back on long-term financial footing. Specifically, NAR supports:

- Reauthorization of the NFIP, flood mapping and mitigation. According to NAR research, the NFIP was essential to successfully completing half a million home sales in 2015.
- Inclusion of the Flood Insurance Market Modernization and Parity Act, as unanimously passed by the House 419-0 last Congress (H.R. 2901 by Reps. Ross [R-FL] and Murphy [D-FL]).
- Providing more flexibility with mitigation assistance and adjusting the increased cost of compliance provisions to enable policyholders to mitigate risk *before* the property floods.
- Directing the technical mapping advisory group to develop state flood mapping programs like North Carolina's that use Light Detection and Ranging (LiDAR) technology to improve granularity at lower cost than FEMA's flood maps.
- Aligning the NFIP's rate setting parameters with those of the private market. According to independent actuarial research conducted for NAR, having more than one risk rate table would enable the program to charge rates closer to the risk for many properties now overpaying into the program.

Measures like these align with NAR's priorities for reauthorization, and NAR would be happy to lend its members' experience and resources to assist the Committee in developing detailed proposals of these needed changes.

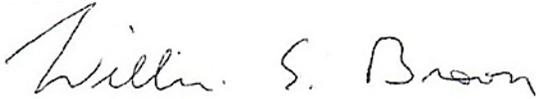
While the proposal includes many positive aspects, NAR members have a number of questions that have the potential to affect many NFIP policyholders, including:



- How long of a reauthorization is the Committee seeking? The principles support a “defined authorization period” for real estate market stability, but less than a 5-year reauthorization led to NFIP shut downs in 2010 that delayed or led to the cancellation of 40,000 homes sales a month according to NAR research.
- How much reinsurance will NFIP be required to purchase and will Congress authorize appropriations to pay for this? The Guy Carpenter Brokerage quoted an annual cost of \$2.2 billion for NFIP to obtain \$17 billion of reinsurance coverage (about the size of Hurricane Katrina) after paying out \$8 billion on an event. By comparison, NFIP only brings in \$3.5 billion annually in premium revenue; a \$2.2 billion cost increase over a \$3.5 billion revenue base could potentially result in the need for very large rate increases.
- How would a phase-out of NFIP be structured for properties valued above NFIP coverage limits? While NAR members would agree that the private market is poised to assume a greater share of the risk from the NFIP, NAR policy supports ensuring access to flood insurance in all markets at all times, especially since it is a requirement for federally-related mortgages. Depending on where the NFIP limit is set, a proposal could inadvertently transfer flood risks back to taxpayers if policyholders lose coverage and have no choice but to again rely on disaster relief in the event of flooding. NAR is also concerned that additional coverage phase-outs could potentially create more confusion for consumers.

Thank you for the opportunity to provide feedback on these principles. NAR stands ready to assist you and your staff as you work to reauthorize and modernize the NFIP to meet the challenges of the 21st Century.

Sincerely,



William E. Brown
2017 President, National Association of REALTORS®

cc: Members of the House Financial Services Committee