



**STATEMENT OF  
THE NATIONAL ASSOCIATION of REALTORS®**

**Submitted To  
The House Financial Services Committee  
Housing and Community Opportunity Subcommittee**

**On  
The Floodplain Maps and the National Flood Insurance Program**

**July 12, 2005**

Thank you for the opportunity to submit a statement presenting the views of the NATIONAL ASSOCIATION of REALTORS® (NAR) on the National Flood Insurance Program (NFIP) and the flood map modernization initiative. The more than 1.2 million members of NAR wish to thank Chairman Ney for holding this hearing on a subject that is of great importance to REALTORS®.

It is often said that REALTORS® don't sell homes, we sell communities. The members of the NATIONAL ASSOCIATION of REALTORS® are concerned and active members of our communities. We recognize and support the important role the National Flood Insurance Program plays in managing the risk of flooding which affects so many of our communities.

The NFIP is a unique partnership between three levels of government. It enables property owners in participating communities to purchase insurance as a protection against flood losses in exchange for State and community floodplain management regulations that reduce future flood damages. As a result, federal expenditures for disaster assistance and flood control are reduced.

The National Flood Insurance Program partners with over 19,000 communities nationwide and holds 4.4 million policies representing \$623 billion in insurance coverage. It provides over 90% of all flood insurance nationwide and close to 100% of flood insurance coverage for individually-owned properties and small- to mid-size commercial properties. Ninety-one insurance companies write flood insurance, either under the Write Your Own program or through direct sales. In FY 2002, the program generated \$1.4 billion in written premiums, with an average premium of \$393, average coverage of \$142,204, and an average pay out of \$24,551. By providing affordable flood insurance that is unavailable in the private market, the NFIP helps our citizens achieve the American dream of homeownership.

There are two issues concerning the National Flood Insurance Program that are important to the real estate industry:

1. A financially solvent and actuarially rigorous NFIP; and
2. The value of updated and modernized floodplain maps.

**A Financially Solvent and Actuarially Rigorous NFIP**

Given the importance of the NFIP in communities across the country, it is critical that the program remains on a stable financial and actuarial foundation. Congress, FEMA and industry stakeholders, working together, can make a number of changes to ensure this program rests on a solid footing well into the future.

Phasing out repetitive loss properties is a critical component of a comprehensive strategy to ensuring a healthy NFIP. Currently, 45,000 insured properties nationwide have incurred two or more flood losses over a ten-year period. These properties cost the flood insurance program over \$200 million annually. The top 10,000 structures alone cost the program over \$65 million annually.

Repetitive loss properties inflict serious economic harm to the flood insurance program by driving up the premiums for all other policyholders, and by allowing the entire system to rest upon an unsustainable actuarial foundation. These properties are not paying premiums that adequately reflect their exposure to the risk of flooding.

NAR applauds Congress for addressing the issue of repetitive loss properties by passing the Flood Insurance Reform Act in the summer of 2004. However, for this Act to be effective, Congress must fully fund the Repetitive Loss Pilot Program that was promulgated in that legislation. This Pilot Program will ensure that the "worst-of-the-worst" repetitive loss properties are phased out of the program.

### **Floodplain Maps**

Our second area of concern is FEMA's Flood Insurance Rate Maps. Flood maps determine whether a property is located in a floodplain, and thus whether flood insurance is required in order to secure a mortgage. When maps are inaccurate, properties incorrectly included in a floodplain are unnecessarily required to have flood insurance coverage. Similarly, properties incorrectly excluded from a floodplain are exposed to flood risk without the benefit of insurance coverage. During a property transaction, correction of an inadvertent inclusion - through FEMA's Letter of Map Amendment process - adds unnecessary cost and delay to the transaction.

Flood maps serve a number of other important functions. The National Oceanographic and Atmospheric Administration estimates that the cost of flood damage in the 1990s exceeded \$5 billion annually, with an average of 100 deaths per year due to flooding. To limit the costly impact of floods, flood maps help communities develop flood management strategies, implement more effective land use and building codes, develop disaster preparedness plans, and incorporate disaster planning into regional economic development strategies.

Currently, FEMA is in the middle of an initiative to modernize its floodplain maps by replacing the existing paper maps with computerized maps that are more accurate, more accessible, and easier to keep current. FEMA's map modernization program goes beyond simple replacement of paper maps with digital ones. Digital technology will allow FEMA to collect new and better data.

NAR was pleased that Congress recognized the importance of accurate and dependable floodplain maps and provided FEMA with an additional \$200 million in FY 2003, '04 and '05 to initiate its map modernization program. That is just the beginning, however, and additional funds are needed. For FY 2006, FEMA has requested \$200 million to continue its map modernization program. We strongly encourage Congress to appropriate the full amount so that FEMA can continue this important project.

However, this map modernization program must be completed the right way. Because the FIRMs form the basis of the National Flood Insurance Program and play a vital role in keeping our communities safe from flooding, it is imperative that these maps are accurate. Unfortunately, given the current timeframe for completion and limited resources, we are concerned that FEMA may be sacrificing quality for quantity by updating as many maps as possible instead of updating the maps in a technologically and scientifically sound manner.

A key parameter for evaluating the initiative was progress toward a goal of mapping 100% of the population in five years. Yet, as the Map Modernization Initiative has proceeded, it has become clear to FEMA and state, local and industry stakeholders that the project is more complex, extensive, and costly than originally estimated. A number of the assumptions that

FEMA made to produce the original cost and time estimates underestimated the scope of mapping needs, but became obvious only after the project began. For example, it was not until the project had moved forward that all stakeholders appreciated the need to retain the old maps for critical referencing data, and needed to address storage and accessibility requirements for these old maps within the new digitized format. These are the kinds of unforeseen factors that become apparent after a project has started, and can lead to delays and cost increases.

In some areas of little growth, the existing data may continue to be accurate. In many areas, it is not. Some early maps have caused concern because the floodplain does not match the existing topographic data. Creating, digitizing and making available inaccurate maps fails to solve the initial problems associated with outdated maps and will continue to have far-reaching implications. First, communities will remain at risk and its citizens will be placed in harm's way if a flood map identifies the floodplain and its associated landforms incorrectly. Communities will balk at adopting these maps, because they do not resolve their flood map problems or improve what they have currently. Taxpayers will be dissatisfied with spending nearly one billion taxpayer dollars for maps that fail to identify hazards and slow down or delay property transactions. When Congress becomes aware of these flood map problems, a backlash may occur that could impair future funding for technically correct maps.

The first of the modernized (but not necessarily updated) flood maps are beginning to come out of the pipeline, and FEMA estimates that maps covering areas that are home to 80 million people will be released by the end of September, 2005. After extensive discussion with members of the National Flood Map Modernization Coalition, FEMA has adopted a quality assurance procedure that provides for matching the best available topographic data or reflects current conditions, for all the maps going forward.

NAR believes a three-pronged approach is the best way to focus on the concerns regarding FEMA's Map Modernization project.

- The timeframe for creating and digitizing the new maps needs to be adjusted. Instead of mapping 100% of communities in the first five years of the program, which could mean rushing the process and producing inaccurate maps, FEMA should refocus on mapping a smaller percent of the most at-risk communities with high quality maps. As new surveys and engineering studies are more expensive and time-consuming than digitizing existing data, this refocusing strategy will require additional time to complete all of the necessary updates but will ensure a better quality output. The objectives of an extended map modernization program can be fulfilled at the current level of annual funding if those annual appropriations are allowed to be extended over a longer period of time.
- The maps that need to be updated should be reprioritized. FEMA should conduct a new prioritization process to determine which maps need to be restudied, and when. Not all stream miles in all communities will need to be studied, nor will all the hydrologic/hydraulic data need to be updated. In addition, a reprioritization process will create efficiencies in the program that will help create new maps where they are needed most.
- Maps issued prior to the implementation of the quality assurance standard will need to be re-evaluated and completed to ensure the data they contain is the most updated and accurate.

Thank you for allowing the NATIONAL ASSOCIATION of REALTORS® an opportunity to share our views on the National Flood Insurance Program. We urge the Subcommittee to undertake a bi-partisan effort and pursue improvements that will strengthen the program and make it even more effective. We look forward to working with you in support of this effort.

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NAR Statement to Congress on the Flo...

Headquarters: 430 North Michigan Avenue, Chicago, IL 60611-4087

DC Office: 500 New Jersey Avenue, NW, Washington, DC 20001-2020

1-800-874-6500

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