



NATIONAL ASSOCIATION OF REALTORS®

Videos | Store | Library | Directories | Need Help?

Search for in

Register | Login | My Account | NRDS

RESOURCES FOR

- REALTORS® & Business Specialties
- Association Executives
- News Media
- Home Buyers & Sellers
- Diversified Real Estate Firms

SITE BY TOPIC

- About NAR
- Education
- Government Affairs**
- Issues & Publications**
- Legislative/Regulatory Issues
- Washington Report
- Eye on Washington
- Programs & Initiatives**
- RPAC
- Issues Mobilization
- Grassroots Activity
- Diversity
- Housing Opportunity
- Small Business Health Coverage
- Smart Growth
- State Issues Tracker
- Law & Policy
- Meetings & Expo
- NAR Governance
- REALTOR Benefits®
- Research
- Technology

**Written Statement
of the
NATIONAL ASSOCIATION OF REALTORS®
submitted to the
Senate Banking Committee
On
"Reforms to the National Flood Insurance Program"
February 2, 2006**

The members of the NATIONAL ASSOCIATION OF REALTORS® recognize and support the important role that the National Flood Insurance Program (NFIP) plays in managing the risk of flooding, and the NAR welcomes this opportunity to present its views relating to reforms to the NFIP.

Following the devastating hurricanes that battered the South this fall, the NFIP is in debt \$23 billion. These tragedies have resulted in a total of more claims than have ever been paid in the program's history. Currently, the NFIP is expected to have the resources to pay claims through February 10, 2006. Congress must immediately provide additional funding to allow the program to pay its contractually obligated claims to policy holders. These individuals paid their premiums to the National Flood Insurance Program and should not be denied or delayed their legal claim payments.

Congress must also insist that the National Flood Insurance program abide by the changes that were implemented with the passage of "Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004." This important law targets federal flood mitigation efforts to repetitive-loss properties and increases the flood insurance premiums of such properties whose owners refuse government mitigation offers. The purpose of the law is to improve the financial soundness of the NFIP by shifting more of the burden of recovery costs to property owners who choose to remain vulnerable to repetitive flood damage. The law directed FEMA to develop a pilot program for mitigation of severe repetitive loss properties. Implementing this program will provide dramatic savings to the NFIP. FEMA must be required to immediately begin this program.

We believe FEMA must enforce the mandatory purchase requirement under current law. Homeowners with mortgages held by federally-regulated lenders whose homes are located in a special flood hazard area are required to purchase and maintain flood insurance. If a property owner fails to obtain and maintain this coverage, their lender is required to purchase this coverage on their behalf and bill the borrower. However, recent estimates of non-compliance have reached as high as 60%. FEMA should increase enforcement of this requirement, which would increase premium revenue to the National Flood Insurance Program as well as further reduce the costs of a flood event to the federal government.

NAR has joined with a coalition of industry partners to develop a list of consensus reforms. This coalition spans the insurance, financial, and housing sectors and contains a number of important proposals. These include increasing coverage limits, inclusion of business interruption insurance for commercial properties, creation of an option "deluxe" flood insurance policy, requiring GAO study increasing participation in the program, increasing deductibles, providing additional funding to expedite modernization of flood maps, and allowing premium increases up to 15%. We believe these common sense reforms will bring stability and financial accountability to the flood insurance program.

The National Association of REALTORS® is concerned with the proposed requirement to purchase flood insurance for all structures in the 500-year floodplain. We believe that any effort to change the current 100-year standard for flood insurance is ill-advised and warrants careful consideration of the impacts such a dramatic modification will have on communities and homeowners. Shifting to a 500-year floodplain benchmark will impact every major coastal and riverside community in the country. Such a change will increase the costs of building, purchasing and owning a home for millions of homeowners, and require local communities to review and revise their existing planning and zoning regulations. In addition, it is estimated that

REGISTER NOW

Access exclusive features and sign up for newsletters.

REALTOR BENEFITS®

Purchase discounted products and services from REALTOR BENEFITS® Partners



only 25% of 500-year flood plains have been mapped by FEMA. Without accurate maps, a move to such a program would only create uncertainty and chaos. We urge Congress to carefully review the impacts of any such proposal before taking such a drastic step.

We also have concerns with proposals to eliminate subsidies on pre-FIRM (Flood Insurance Rate Map) homes. Only 25% of policy holders pay a subsidized premium and these are for homes that did not have the benefit of knowledge about the location of flood plains and the need for mitigation. A number of these homes are located in repetitive loss areas. According to GAO, repetitive loss homes account for 25-30% of all claims filed under the NFIP. The 2004 Act implemented a pilot program to provide mitigation assistance to homeowners who have suffered repetitive loss. NAR supports federal legislative and regulatory efforts to address the repetitive-loss problem by increasing the flood insurance premiums on repetitive-loss properties whose owners refuse government offers of mitigation assistance. We oppose eliminating subsidies on other pre-FIRM homes. If these subsidies were lifted, homeowners could see increases of up to 150% of their premiums. Such an increase would cause an economic hardship on many communities across the nation.

The NFIP is a unique partnership between our 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. Although the costs associated with Hurricanes Katrina, Rita and Wilma have been exorbitant, had the NFIP not been in place, the costs could have been astronomical. We urge Congress to immediately increase the funding available to the NFIP to pay claims. Borrowers who have paid their premiums should not be delayed in receiving claims payments. Second, we urge Congress to consider reasonable reforms to the NFIP. By providing affordable flood insurance that is often unavailable in the private market, the NFIP helps our citizens achieve the American dream of homeownership. Making dramatic changes to such an important federal program must only be done after careful thought and study.

Related Issues: Summaries

[National Flood Insurance Program](#)

Print Page	E-mail Page
----------------------------	-----------------------------

Copyright NATIONAL ASSOCIATION OF REALTORS®
 Headquarters: 430 North Michigan Avenue, Chicago, IL. 60611-4087
 DC Office: 500 New Jersey Avenue, NW, Washington, DC 20001-2020
 1-800-874-6500
[Terms of Use](#) | [Privacy Policy](#) | [REALTOR.com](#) | [Contact NAR](#) | [Site Map](#)