

“Delay Flood Insurance Rate Increases”

ASK:

Senate

Support efforts to delay NFIP rate increases for grandfathered and newly-purchased properties pending FEMA’s report to Congress on the results of the affordability study required by the “Biggert Waters” NFIP reform act..

House

- Thank members of the House for approving a delay in NFIP grandfathered rate increases for another year.
- Encourage them to expand the delay to include newly purchased properties as well.

ISSUE BACKGROUND:

In addition to reauthorizing the National Flood Insurance Program (NFIP), the “Biggert Waters” Act phases-out subsidized flood insurance rates for properties purchased after July 2012, and “grandfathered” properties which are allowed to keep lower rates based upon older flood maps when new maps are issued. The law also directed FEMA to report on the affordability of these reforms so Congress could consider the impact as they took effect. That congressionally mandated report is now overdue.

With only a few legislative days remaining in the fiscal year, the final outlook for a delay in NFIP rate increases is uncertain. To date, the House passed a 2014 Department of Homeland Security (DHS) Appropriations bill that would delay the phase-out of “grandfathered” insurance rates only for another year. However, the full Senate has to vote on the measure as reported by the Senate Appropriations Committee on July 18, 2013. While the extension is included in both draft versions, we must continue to press for inclusion in any short-term or final appropriations bill that is sent to the President. Also, despite the fact that both the House and Senate versions address grandfathered rates, neither addresses scheduled rate increases for properties that change ownership after passage of the Biggert-Waters law.

WHY IS THIS IMPORTANT?

- Approximately 5.6 million property owners in over 20,000 communities across the country rely on the NFIP for flood insurance.
- A delay in newly-mandated NFIP rate increases will allow FEMA to determine more accurately how these rates will impact property owners as Congress planned, and give affected property owners more time to respond to higher rates.
- If fewer homeowners can afford flood insurance, in the event of future floods, taxpayers will spend more on federal disaster relief to owners of uninsured properties.
- Without flood insurance, homeowners located in flood zones could default on their mortgages.

WHAT IS THE OTHER SIDE OF THE ARGUMENT?

Those who support increased NFIP rates argue that federally subsidized flood insurance premiums keep insurance rates too low, undercut the private market for flood insurance, encourage development in flood-prone areas, and force the NFIP to borrow from the federal government to cover flood claims. Without the increases, neither subsidized properties nor “grandfathered” properties pay rates that accurately reflect the risk of flooding.

THE BOTTOM LINE

Congress should not let the rate increases go into effect until FEMA can submit its report so that Congress understands the full impact of these reforms on homeowners.