

National Flood Insurance Program

Issue Background

The NFIP was created to provide incentives for communities to rebuild to higher standards and steer development away from flood zones. In exchange, communities gain access to flood maps, mitigation assistance and subsidized insurance to cover current year property damage and recover more quickly from flooding. However, the program was never designed to absorb the catastrophic losses of the last decade including Katrina (2005), Sandy (2008) and Baton Rouge (2016). As a result, NFIP has borrowed \$25 billion from the Treasury and is making interest-only payments of \$400 million a year. The NFIP was last up for reauthorization in 2008. There were 18 short-term extensions and a two-month shutdown before Congress reauthorized the program in 2012.

Congressional Actions To Date

The House Financial Services Committee approved seven NFIP reform and reauthorization bills, which are expected to be combined into one; the combined bill currently awaits consideration by the full House of Representatives.

While the bill includes a 5-year reauthorization and private market reforms including the “Flood Insurance Market Parity and Modernization Act”(H.R. 1422) to reduce barriers to private flood insurance, the bill would:

- End all grandfathering after 4 years;
- Not provide for accurate property level flood mapping; the burden would remain on the property owner to prove the maps are wrong; and
- Fails to provide an analysis of the total cost of flood insurance due to multiple new fee and policy provisions scattered across the bill.

Congressional Actions Needed

- Thank House Financial Services Committee members for making progress on a 5-year reauthorization and reform measure before September 30, when National Flood Insurance Program (NFIP) authority expires.
- Oppose the bill’s provision that would end all grandfathering after 4 years.
- Support strengthening the bill to create accurate, property-level flood maps.
- Request an analysis of the total cost of flood insurance, including multiple new policy and fee changes in the bill.

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What To Tell Your Representatives And Senators

Oppose Ending all Grandfathering

- Grandfathering enables property owners who have built to code in an A zone to continue paying A-zone NFIP rates when the map is updated.
- For example, grandfathering could save a homeowner thousands of dollars if the base flood elevation on the map is revised upward or the area is remapped from zone A (inland high risk area) to zone V (coastal high risk area).

After 4 years, the House bill would:

- End any new grandfathering for newly remapped properties;
- Increase rates on currently grandfathered properties by 8% annually until they reach full risk rates IF the property has continually maintained an NFIP policy without any breaks in coverage; and
- Immediately increase rates to full risk (loss of grandfathering) for any currently grandfathered properties that were built in compliance with the map at the time of construction but cannot demonstrate continuous coverage.

There are many reasons beyond a homeowner's control that could cause a break in "continuous coverage," including:

- Inability to assume the current NFIP policy during a property sale;
- Dropping NFIP coverage after the mortgage is paid off OR switching to a private flood insurance policy before the bill becomes law; and
- Buying a foreclosed property that has not maintained coverage

Accurate Flood Maps Are Essential

The bill clarifies that states may create their own flood maps if they have the expertise and resources but does direct FEMA to produce accurate, property level NFIP mapping.

- The NFIP should be required to use modern mapping technology to produce building specific risk assessments.
- Currently, homeowners bear the burden of appealing the maps to remove low-risk buildings from the floodplain.
- Map amendments require homeowners to buy 25,000 land surveys each year at a cost of \$500-\$2,000 each.
- The current method of flood mapping and amendment is inefficient when light detection and ranging (LiDAR) can collect the data for whole neighborhoods at once.

Request an Analysis of the Total Cost of Flood Insurance

While NAR supports a 5-year reauthorization, \$1 billion for property mitigation grants, and a private market for flood insurance in addition to the NFIP, it is unclear what the total cost of flood insurance would be, given the various policy changes and fee increases in the bill.

- Sponsors claim the bill amounts to a \$40 annual increase for NFIP premiums, but have not given estimates beyond an average.
- NAR is committed to continuing to work with Congress to improve the bill but several uncertainties must be addressed.

Opposing/Supporting Viewpoints

NFIP critics note that the NFIP is running a \$1.5 billion annual deficit largely due to grandfathering and other subsidies, according to the Congressional Budget Office.

NFIP supporters agree that reforms are needed to improve the program's solvency but ending all grandfathering after four years goes too far.

Flood mapping critics say "scrap the NFIP maps" and let the states do it.

Mapping advocates say that national maps provide consistency, ensure that property owners and communities do not build in harm's way and benefit the public.

It is ultimately taxpayers who pay when properties are built too low in flood zones due to inaccurate flood maps.

House bill supporters point to the 5-year reauthorization and \$1 billion for property mitigation grants in the bill.

NFIP supporters support the provisions but are concerned that new provisions ending grandfathering and creating other uncertainties could offset the benefit and lead to sticker shock and market disruptions in the future.