



# NAR August Legislative Update: National Flood Insurance Program Reauthorization

## ISSUE UPDATE

The National Flood Insurance Program (NFIP) provides necessary flood coverage for 5 million property owners nationwide but it is not designed for catastrophic loss years. As a result, the NFIP has borrowed \$36 billion since 2005 and premiums fall short of expected costs by \$1.4 billion each year, according to the Congressional Budget Office.

The NFIP must be reauthorized to provide flood insurance. September 30, 2019 marks the two-year anniversary since the last 5-year reauthorization expired. So far, there have been 12 stopgap extensions and two brief lapses as Congress tries to find a consensus over reforms which balance long-term program viability with short-term insurance affordability.

## WHAT DOES THIS MEAN TO REALTORS® AND THEIR CLIENTS?

We are in the middle of hurricane season, which is not the time for more flood insurance uncertainty.

- Flood insurance is required for a mortgage in 22,000 communities nationwide.
- Flood insurance also offers hundreds of thousands of dollars of rebuilding assistance, compared with an SBA loan and FEMA aid that averages just \$5,000 per household.
- Short-term extensions and lapses of NFIP introduce uncertainty into real estate transactions that typically last 30-45 days.
- In the last two years alone, NFIP has been extended 12 times, or once every two months.
- When flood insurance is not available at the closing table, consumers lose financing or pay fees to hold interest rates.
- Each day of a lapse costs 1,300 home sales according to NAR research.
- Each home sale means two jobs and \$80,000 to the U.S. economy.

## STATUS IN CONGRESS

**HOUSE OF REPRESENTATIVES:** On June 12, by a unanimous vote of 59-0, the House Financial Services Committee approved H.R. 3167, the NFIP Reauthorization

Act. The bill extends the NFIP for 5 years and improves flood mapping, enhances mitigation investments and removes obstacles to private flood insurance reforms. The next step is for this bill to be considered by the full House of Representatives.

**SENATE:** Several bills have been introduced but no further action has been taken in the Senate.

## NAR'S ASK

Congress must find a way forward on a long-term reauthorization measure before September 30. REALTORS® support the NFIP Reauthorization Act (H.R. 3167) and urge its consideration.

## OPPOSING/SUPPORTING VIEWPOINTS

**House bill critics argue** that the NFIP Reauthorization Act (H.R. 3167) costs too much.

**Advocates note** that U.S. taxpayers are already spending billions on disaster aid for home repairs. Instead, H.R. 3167 would buy out, elevate or relocate those homes saving \$6 for each \$1 invested.

**House bill critics** assert that there are not enough reforms in the NFIP Reauthorization Act.

**Advocates counter** that H.R. 3167 includes vital reforms to improve mapping, enhance mitigation investments and remove obstacles to private flood insurance. This bill is the product of extensive bipartisan negotiations and strikes a delicate balance between NFIP sustainability and affordability.

**House bill critics** argue that H.R. 3167 does not address NFIP rate changes under Risk Rating 2.0.

**Advocates note** that FEMA will propose the new rates in April of 2020. Congress should extend NFIP now so they have more time to fully discuss and evaluate Rate 2.0 proposals.

**House bill critics believe** that private insurers will "cherry pick" the low risks from NFIP.

**Advocates emphasize** that there are no cherries in the NFIP; in fact, the private market is targeting the highest risk, subsidized properties that are net revenue losers for the program.