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ASSOCIATION of
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May 11, 2011

The Honorable Spencer Bachus
Chair, House Financial Services
Committee
2246 Rayburn House Office Building
Washington, DC 20515

The Honorable Barney Frank
Ranking Member, House Financial
Services Committee
2252 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Bachus and Ranking Member Frank:

On behalf of the 1.1 million members of the National Association of REALTORS® (NAR), thank you for holding a markup of H.R. 1309, the Flood Insurance Reform Act. NAR supports many provisions of the bill including the long-term reauthorization of the National Flood Insurance Program (NFIP) through fiscal year 2016—a top priority of our membership.

Long-Term Reauthorization. Reauthorizing the NFIP for at least five years is critical to millions of taxpaying American families who rely on the program for flood insurance, which by law, is required to obtain a federally related mortgage in 21,000 communities nationwide. Since September 2008, Congress has approved nine short-term extensions of the NFIP’s authority to issue flood insurance policies. Twice last year, this authority was allowed to expire, resulting in the delay or cancellation of tens of thousands of property sales during the worst real estate markets since the Great Depression. The NFIP is again set to expire on September 30 of this year. The series of stopgap extensions and shut-downs of this program over the past three years have caused many hardships and lost sales for property buyers, sellers and their communities. Enacting a long-term NFIP reauthorization would restore flagging confidence in this vital program by ensuring its continuation through 2016 without further disruption to real estate markets. Five years is the minimum reauthorization necessary to provide some certainty to these markets upon which the U.S. economic recovery depends.

Programmatic Improvements. Indexing NFIP coverage limits for inflation as well as providing options for business interruption and living expenses are essential provisions to attract program participation and expand the program’s risk pool. Re-establishing the independent advisory council of technical mapping experts to build consensus around standards for accurate 100-year flood insurance rate maps and providing a reasonable amount of time for the communities which appeal the accuracy of a rate map before the map takes effect would help to restore scientific integrity and confidence in the mapping process.

Concerns with Privatization Initiatives. NAR continues to have strong concerns with provisions of H.R. 1309 to authorize, immediately and without limitation, NFIP privatization initiatives. In particular, we are greatly concerned that a pilot program could result in a dual system of flood insurance for pilot communities which would afford private insurers the ability to “cherry pick” the lower risk policies and leave the public program subject to adverse selection. Such an



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outcome will not strengthen the NFIP's long-term solvency. On the contrary, it would further restrict the already limited rate base over which the NFIP may spread risk to the highest risk properties and only increase program exposure in future floods.

Other Concerns. We would support an amendment, to be offered by Rep. Hinojosa (D- TX), to not delineate areas of 250-year floods, residual or other risks in the 100-year flood maps because additional areas only raise questions about the application of the mandatory purchase requirement. Finally, while we remain concerned about the affordability of the proposed premium rate for older properties – particularly those without recent history of flood loss or increased risk, we will continue to work with Congress to ensure that the rate is gradually phased-in over at least five years. Thank you for your efforts to ensure this phase-in would apply fairly and equitably across older properties, including the primary residences; we look forward to working with you on technical corrections as the bill moves toward a floor debate.

We support moving H.R. 1309: the Flood Insurance Reform Act, to the floor for consideration by the House of Representatives. We look forward to further discussions as the bill moves forward and pledge to continue working with you on these and other important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Phipps", with a stylized flourish extending to the right.

Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO, SFR
2011 President, National Association of REALTORS®

cc: Members, House Financial Services Committee