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United States House of Representatives
Washington, DC 20515

Dear Representative:

This week, the House will consider H.R. 1309, the Flood Insurance Reform Act. The bill would reauthorize the National Flood Insurance Program (NFIP) for 5 years and end the stopgap extensions and shutdowns that led to the delay or cancellation of 47,000 home sales in June 2010. It would also institute tough reforms, increasing the NFIP's actuarial stability and net income by $4.2 billion over 10 years.[1] On behalf of 1.1 million members and its commercial affiliates,[2] the National Association of REALTORS® (NAR) strongly supports passage of this bill to the Senate but adamantly opposes a substitute amendment by Rep. Candice Miller (R-MI) to end the NFIP.

The Miller amendment (#7) would terminate the NFIP and substitute state insurance compacts to jump-start a private market for flood insurance. It would do so with no evidence or assurance that untested state insurance compacts would be able to encourage the private insurance market to do what it has **never** been willing to do—i.e., insure flood risks. Floods are not like other, insurable perils such as fire. Private insurers would have to raise rates to cover rare Katrina-sized storms, but they could not rely on a) the property's loss history to predict the future or b) broad-based participation among property owners, given the challenge of adverse selection (i.e., the owners most likely to purchase flood insurance are also most likely to experience flood loss). The General Accountability Office evaluated the private market for flood insurance and found only four large companies willing to write private flood insurance; but they only do so for high-value property (at least $1 million) owned by the wealthy. Yet floods can happen anywhere that rain falls, snow melts, or a river has the potential to overtop a dam or levee, as we have recently seen in the Midwest.

Similarly, the Miller amendment will not reduce the NFIP's Treasury loan for outlier 2005 hurricanes or hold down future government spending for floods. It would eliminate a program that would raise $4 billion more to pay down that debt and allow property owners to insure themselves, eliminating the need for federal disaster aid. When the state-compact approach fails to provide access to an alternative, Congress will respond to future floods. It will do this through supplemental appropriations for more disaster assistance—at taxpayer expense. Eliminating NFIP simply reduces an insurance alternative to direct government spending for properties that will no longer have access to affordable insurance and have to be rebuilt through taxpayer-funded disaster-relief.

NAR urges you to vote 'NO' on the Miller substitute amendment to sunset the NFIP. Currently NAR would support the underlying bill but if this amendment is approved, we would be forced to also urge a "no" vote on passage of H.R. 1309. Thank you for your consideration of NAR's views on this important legislation.

Sincerely,

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

[1] Congressional Budget Office.
[2] CCIM Institute, Institute of Real Estate Management, REALTORS® Land Institute, and Society of Industrial and Office REALTORS®