NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Representative:

I am writing on behalf of more than 1.2 million members of the National Association of REALTORS® (NAR) to express our views on the "Flood Insurance Modernization and Reform Act of 2006." The National Flood Insurance Program (NFIP) offers an important element of protection to homeowners in areas of the country vulnerable to flooding, and helps to lower federal expenditures for disaster assistance and flood control.

NAR supports provisions in the Flood Insurance Modernization and Reform Act of 2006 that would increase the borrowing authority of the NFIP. Meeting contractually obligated payments to policyholders is paramount.

NAR also supports provisions in the Flood Insurance Modernization and Reform Act of 2006 that: (1) would increase premiums on repetitive loss properties that have a significant negative impact on the NFIP, (2) would increase the number of properties in the NFIP, and (3) would increase coverage limits. These provisions would make the program more financially sound. In addition, NAR supports other important provisions including the required study to be performed by the Comptroller General, a reduction of the waiting period, FEMA reporting on the financial status of the NFIP, an inventory of levees, and the flood mapping program.

NAR opposes provisions in the Flood Insurance Modernization and Reform Act of 2006 that would remove subsidies on non-residential properties and non-primary residences. Only 25% of policy holders pay a subsidized premium on homes that did not have the benefit of knowledge about the location of flood plains or the need for mitigation at the time of construction. Non-primary residences should be given the same consideration as primary residences. These properties, especially in the same neighborhood or even on the same street, face a flooding risk identical to other properties in the neighborhood. They should not be charged full risk premiums unless they fall under the definition of repetitive loss properties. Charging full-risk premiums for non-primary residences would significantly increase the insurance costs of these properties. Consequently, the purchase price of homes in coastal and resort areas would increase, their affordability and marketability would decrease, and state and local economies would suffer. Owners of rental properties would be forced to pass on these increased costs of flood insurance through rent increases to tenants, placing an additional strain on the budgets of low-income and fixed-income consumers.

Thank you for considering our views on this important legislation.

Sincerely,

Thomas M. Stevens, CRB, CRS, GRI
2006 President, National Association of REALTORS®