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April 25, 2017

The Honorable Jeb Hensarling  
Chairman  
U.S. House of Representatives  
Financial Services Committee  
2228 Rayburn House Office Building  
Washington, DC 20515

**Subject: REALTOR® support for including Risk Mitigation Reforms as part of National Flood Insurance Reauthorization Legislation**

Dear Chairman Hensarling,

The National Association of REALTORS® (NAR) supports your efforts to improve access to risk mitigation under the National Flood Insurance Program (NFIP). As NFIP premiums continue to climb, America’s small business and homeowners need options to avoid creating a class of properties that are unsellable due to unaffordable flood insurance costs. NAR agrees that the best way to keep rates reasonable is to enable policyholders to reduce their own property’s flood risk with NFIP mitigation assistance and increased cost of compliance programs. NAR supports including a strong flood risk mitigation title as part of the broader NFIP reauthorization and reform measure.

Under the Biggert-Waters Act (as amended in 2014), the NFIP’s rates are increasing exponentially (18-25%) until 1 million older (pre-FIRM) property owners pay the full actuarial cost for flood insurance. However, the Federal Emergency Management Agency (FEMA), which administers the NFIP, does not have the elevation data necessary to calculate actuarial rates for these properties. As a result, the burden is on each homeowner to provide that data by hiring a surveyor which can cost between \$500-\$1,500 per elevation certificate. Many pre-FIRM owners are not aware of this option and are continuing to pay the 18-25% increases well past the point where rates have reached the actuarial level.<sup>1</sup> While real estate markets can adjust to insurance cost increases over time, markets cannot adjust to costs that are unknown because FEMA cannot disclose actuarial rates for properties.

Improving access to mitigation would provide options for pre-FIRM homeowners who are facing unaffordable flood insurance rates that were not known at the time of home purchase. Today, the typical pre-FIRM homeowner pays \$2,000-\$3,000 per year. If just 1% of one million pre-FIRM structures are four feet below the 100-year flood standard,

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<sup>1</sup> For example, FEMA recently refunded \$27,000 to one pre-FIRM property owner who continued to pay 25% increases for three years after providing an elevation certificate that proved she had exceeded the actuarial rate. This example was spotlighted by FEMA’s Office of the Flood Insurance Advocate in its latest bi-monthly report (Dec. 2016-Jan. 2017) at: <https://www.fema.gov/media-library-data/1492111537461-69e9c59a74626dab2efbd702696c50a8/OFIABimonthlyReportDEC2016andJAN2017.pdf>



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as many as 10,000 homes could be facing actuarial rates in excess of \$10,000 per year.<sup>2</sup> On the other hand, elevating just one of these structures by 4 feet would cut NFIP's rate by 80% or \$9,600 per year,<sup>3</sup> and avert \$72,500 worth of property damage during the next 100-year flood based on reasonable assumptions.<sup>4</sup> Mitigated properties mean fewer and smaller NFIP claims, which in turn reduces the potential for additional borrowing from the Treasury.

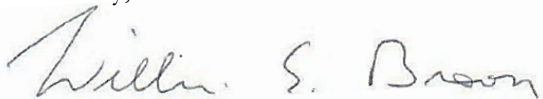
In addition, mitigation will help to encourage the development of private flood insurance alternatives to the NFIP. Unlike the NFIP, which cannot exclude properties from coverage, the private market will only make the decision to insure if the premium for the property exceeds the cost to insure. Mitigating risk reduces the cost of insurance for more structures, which expands the potential pool of properties from which the private market can draw.

Expanded mitigation will not increase government spending. The Federal government already budgets hundreds of millions of dollars for this purpose. Unfortunately, regulations do not allow access to these funds until after properties flood, when the cost of repair can increase fivefold. According to the Congressional Budget Office, shifting just \$200 million to pre-flood mitigation would avoid \$1 billion in property losses that neither the owners nor taxpayers will ever have to pay.<sup>5</sup> NAR is not calling for more mitigation dollars; rather, NAR is asking that already budgeted dollars be spent more wisely on pre-flood mitigation.

NAR would like to work with you to expand pre-flood mitigation efforts and authorize FEMA to procure the elevation data needed to calculate and disclose actuarial rates for pre-FIRM structures. REALTORS® support the recommendations of the Technical Mapping Advisory Council to move toward flood maps that incorporate building specific risk information so fewer property owners will have to provide elevation data. The burden should not be on homeowners to provide the data, especially when states like North Carolina and Minnesota demonstrate that it is possible to collect better quality data at lower cost using light detection and ranging (LiDAR) technology. Without this data, Congress will continue to debate flood insurance affordability measures without knowing the full scope of the problem or the size of a mitigation solution required.

Thank you for the opportunity to provide the REALTOR® view on including flood mitigation assistance as part of the NFIP reauthorization and reform legislation. NAR's 1.2 million members stand ready to assist you in your efforts to reauthorize and modernize the NFIP to meet the challenges of the 21<sup>st</sup> century.

Sincerely,



William E. Brown  
2017 President, National Association of REALTORS®

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<sup>2</sup> See page 19 of FEMA's presentation to the Association of State Floodplain Managers in June 2016 (linked below). The slide titled "Pre-FIRM Subsidized vs. Full Risk" shows the NFIP rate is \$11,688 per year for \$250,000 of building coverage and \$100,000 contents with a \$2,000 deductible for a one-floor, slab-on-grade home that is 4 feet below the 100-year standard in the non-coastal high-risk ("A") zone. [http://www.floods.org/Files/Conf2016\\_ppts/E3\\_NealCecilStearrett.pdf](http://www.floods.org/Files/Conf2016_ppts/E3_NealCecilStearrett.pdf)

<sup>3</sup> Ibid. In the same FEMA slide ("Pre-FIRM Subsidized vs. Full Risk"), the annual NFIP rate would drop from \$11,688 to \$2,136 – a \$9,552 difference if the home were elevated 4 feet on vented crawlspace.

<sup>4</sup> See the American Institutes for Research's "Evaluation of NFIP Building standards," dated October 2006. Table 22 provides a depth-damage function for a one story, no basement structure and estimates that 29% of the structure would sustain flood damage if inundated by 4 feet of water. Assuming a building replacement cost of \$250,000, then  $0.29 \times \$250,000 = \$72,500$ . See: [https://www.fema.gov/media-library-data/20130726-1602-20490-5110/nfip\\_eval\\_building\\_standards.pdf](https://www.fema.gov/media-library-data/20130726-1602-20490-5110/nfip_eval_building_standards.pdf)

<sup>5</sup> See table 1, line 1 (Flood pre-disaster mitigation project costs vs. future disaster losses) of CBO's Report "Potential Cost Savings from the Pre-Disaster Mitigation Program" (September 2007) at: <https://www.cbo.gov/sites/default/files/110th-congress-2007-2008/reports/09-28-disaster.pdf>