

May 2, 2018

Dear Senator:

The National Flood Insurance Program (NFIP) provides necessary insurance coverage to 5 million Americans, but has borrowed \$36 billion (including \$16 billion Congress has forgiven) from taxpayers since 2005, and is not fiscally sustainable as currently structured. The NFIP will expire on July 31st, leaving countless property buyers unable to purchase the flood insurance required to close on their properties. Before this deadline, Congress should not only act to extend the program, but should also make needed and comprehensive reforms to ensure that people understand their true risk, to incentivize pre-flood mitigation, and to strengthen the program's fiscal viability over the long term.

Representing a broad range of stakeholders with diverse viewpoints, NAR and SmarterSafer believe that Congress must act now to reform and extend the NFIP. We agree that the way forward is to combine the best parts of The 21st Century Flood Reform Act (HR 2874) that recently passed the House and provisions from a number of bipartisan Senate bills. We urge the Senate to pass a bill that includes critical provisions from the House-passed bill as well as S. 1571 (Crapo-Brown), S. 1368 (Kennedy-Menendez) and S. 1313 (Cassidy-Gillibrand). Any final bill should include the following provisions:

- **5-Year Reauthorization Coupled with Meaningful Reforms** – All of the NFIP Reform bills – both House and Senate - include at least a 5-year reauthorization of the NFIP, and a 5-year reauthorization should be included as part of a broader reform package. Each lapse of program costs 40,000 home sales per month according to NAR research.
- **Consumer Choice (HR 2874 Section 201 and S. 563)** – Any bill must clarify that private flood policies can satisfy the NFIP's mandatory purchase requirement, and permit such policies to satisfy the NFIP's continuous coverage requirement. Consumers should be able to choose a private policy if it is available and meets their needs. In fact, a recent study by Milliman shows that many property owners could access flood coverage at lower cost through the private market; in addition, in many cases, private policies could be tailored to better meet consumer needs. A provision clarifying that lenders can accept private coverage passed the House 419 to 0 last Congress as part of the Flood Insurance Market Parity and Modernization Act (HR 1422/S. 563), and is included in the House-passed bill. Similar provisions have also been included in the Cassidy-Gillibrand NFIP reform bill, S. 1313.
- **Affordability (HR 2874 Secs. 102, 103, 105, 111, 112)** – Of the House and Senate NFIP Reform bills, the House-approved version includes the most reasonable set of provisions to keep rates affordable. The bill would use the replacement cost value of insured structures and create separate classes for coastal and inland flood zones to reduce cross subsidies in NFIP rate tables and more accurately signal policyholders' true risk. The bill would also provide \$1 billion for property owners to reduce their risk-based rates through pre-flood mitigation, further limit annual premium increases, and allow states to provide means-tested premium assistance to lower income property owners. S. 1313 (Cassidy-Gillibrand) also includes mitigation provisions and means-tested affordability vouchers to reduce risk-based rates, but we believe that any financial assistance should be coupled with mitigation.

- **Repetitive Loss Properties (HR 2874 Secs. 402, 504 and 505)** – In order to address the NFIP’s debt, Congress must address the 1-2 percent of properties who constitute more than 25 percent of the claim payments. The House bill includes compromise language that would strike a sensible balance between taxpayers and policyholders, and is the best starting point. Key provisions include repeatedly flooded community plans, an accelerated phase-in of rates upon the second and third claim payments in the future (regardless of the number of past claims), as well as allowing the NFIP to discontinue coverage for “extreme repetitive loss” properties that receive payments exceeding three times the value of the structure.
- **Property-specific Flood Mapping (S. 1368, Sec. 204)** – Congress should include provisions similar to those in Kennedy-Menendez, which best recognizes the need to use modern mapping technologies and provide property-specific risk and cost information to the owners, but we would recommend making the information publicly available. The bill would also direct the NFIP to move toward property-level elevation data and a digital database for mapping, and authorize additional funding. These provisions are modeled after the successful North Carolina mapping program that is already providing flood risk/cost information as well as insurance and mitigation information specific to each property in the state. Without accurate data, property owners, lenders and communities will continue to not know their true risk and build in harm’s way. Congress and FEMA should continue receiving input from stakeholders impacted by the mapping program while also providing some flexibility in terms of implementation timing, as well as taking into account constraints on funding.
- **Flood Risk Mitigation (S. 1571, Sec. 103)** – Crapo-Brown and Cassidy-Gillibrand include a number of needed reforms in the area of mitigation, including expanding Increased Cost of Compliance (ICC) coverage and requiring risky communities to plan for known risks (also included in the House-passed bill). In addition, the House-passed bill (HR 2874) and S.1368 increase authorized funding levels for mitigation programs; mitigation is a cost-effective and proven way to save lives and property. We believe the provisions can and should be modified so that property owners and communities may access ICC prior to flooding and are incentivized to consider a broader range of mitigation techniques, such as natural defenses like wetlands, forests, and dunes that are often cost effective ways to protect communities from future flooding.
- **Risk Transparency (HR 2874, Sec. 108, 109, and 204)** – A significant barrier to addressing the nation's flood risk is the lack of awareness about flood risk and damages. Both the House and Crapo-Brown bills would require states to establish minimum property-seller disclosure requirements as a condition for community participation in the NFIP. The House bill also requires FEMA to clearly communicate the full flood risk to policyholders, provide all owners with access to the property’s claims history, and make much more NFIP data publicly available.

All of these reforms have bipartisan support and we believe packaged together would help create a financially stable program. These provisions would also ensure that NFIP better informs property owners of their true risk, dedicates more to strengthening/mitigating properties against flooding and provides consumers choice in flood coverage.

With the hurricane season right around the corner, it is critical that Congress reauthorize and make reforms in mapping, mitigation, affordability, and consumer choice. We look forward to working with you on this critical issue to the Nation.

Sincerely,

National Association of REALTORS®
SmarterSafer Coalition