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April 4, 2011

The Honorable Judy Biggert  
Chair, House Financial Services  
Subcommittee on Insurance, Housing,  
and Community Opportunity  
2113 Rayburn House Office Building  
Washington, DC 20515

The Honorable Luis Gutierrez  
Ranking Member, House Financial  
Services Subcommittee on Insurance,  
Housing, and Community Opportunity  
2266 Rayburn House Office Building  
Washington, DC 20515

Dear Chairwoman Biggert and Ranking Member Gutierrez:

On behalf of the 1.1 million members of the National Association of REALTORS® (NAR), thank you for introducing and scheduling a markup of H.R. 1309, the Flood Insurance Reform Act. NAR supports many provisions of the bill including above all, 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 new and renewal 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 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 would 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 Provisions. 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 also have reservations about whether provisions to add areas of 250-year floods, residual and other risks to the 100-year flood maps would expand mandatory purchase requirements to these areas. Finally, while we continue to question the affordability of the proposed premium rate phase-in, particularly for older properties which have not experienced a flood loss or even a change in risk, we will continue to work with the Committee to ensure the fair and effective treatment of primary residences.

Again, we thank you and the Subcommittee for the hard work that you have done. We look forward to further discussions as H.R. 1309, the Flood Insurance Reform Act, moves forward to the full Committee 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 at the end.

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

cc: Members, House Financial Services Subcommittee on Insurance, Housing, and Community Opportunity