

June 14, 2004

Dear Senator:

As the Senate prepares to vote on S. 2238, the "Flood Insurance Reform Act of 2004," I urge you on behalf of the one million members of THE NATIONAL ASSOCIATION OF REALTORS® (NAR) to vote "YES."

By providing affordable flood insurance that is unavailable in the private market, the National Flood Insurance Program (NFIP) helps our citizens achieve the American dream of homeownership. Several key reforms contained in S. 2238 will make the Program stronger and more effective.

The NFIP is currently burdened by the cost of repetitive-loss properties. These properties comprise approximately one percent of insured properties but account for approximately 25-30 percent of claims losses. By not paying premiums that adequately reflect their exposure to the risk of flooding, repetitive-loss properties threaten the NFIP's actuarial foundation. As a consequence, the Program faces continuing pressure to increase premiums for all policyholders nationwide. To do so would have a serious negative impact on the real estate industry and our nation's economy. In recent years the national homeownership rate has reached new heights. Continued progress is threatened, however, when costs in the form of higher insurance premiums are added to the home transaction and potential home buyers are shut out of the market.

S. 2238 is a constructive and viable bipartisan effort to address the repetitive-loss problem. It is designed to improve the financial soundness of the NFIP by shifting more of the burden of recovery costs to property owners who choose to remain vulnerable to repetitive flood damage. The bill focuses on the most severe repetitive-loss properties, and it provides an appeals process to prevent unfairness and injustice.

S. 2238 also provides needed reforms to the Program to ensure that flood insurance policyholders are fully aware of the details of their policies.

Finally, the bill provides a multi-year reauthorization of the NFIP that will ensure Program continuity. Lapses in Program authority can have severe repercussions for an industry that continues to be one of the bright spots in our nation's economy. An absence of authorization raises compliance and legal questions for lenders and insurers. In such an uncertain climate, home purchases and insurance policy renewals are jeopardized. For prospective homebuyers, this can mean an opportunity delayed...or possibly lost entirely.

We look forward to working with you this year to enact improvements that will strengthen the National Flood Insurance Program and make it even more effective.

Sincerely,

A handwritten signature in cursive script that reads "Jerry Giovaniello".

Jerry Giovaniello  
Senior Vice President, Government Affairs