

National Flood Insurance Program expires December 20

November 22, 2019

What is the issue? NFIP's authority to provide flood insurance is currently set to expire at midnight on Friday, December 20, 2019. NAR is making every effort to secure a long-term reauthorization of the program. Here are answers to frequently asked questions about what this means for upcoming closings and several proactive steps your clients can take in the interim.

What is the latest? The House of Representatives has not scheduled a vote on the NFIP Reauthorization Act (HR 3167) that unanimously passed the Financial Services Committee on June 11 and is supported by NAR policy. Several other bills have been introduced in the Senate, but no further action has been taken. Congressional and White House leaders have attached an NFIP extension to the Continuing Resolution to keep the federal government operating until there is agreement on 2020 appropriations bills. NAR is urging the longest extension possible while Congress continues working toward a 5-year reauthorization measure.

What is NAR doing?

- NAR is in regular communication with Congressional leaders and the White House.
- NAR is coordinating with a broad coalition of industry groups to support a long-term reauthorization.
- Flood insurance was a [priority talking point](#) for meetings with members of Congress over August recess.
- Hundreds of members of Congress were contacted about [NFIP's importance to every state in the U.S.](#)
- NAR has raised the issue's profile with multiple calls for action, talking points, op-eds and state letters.

What happens if there is a lapse?

- NFIP cannot sell new or renew flood insurance policies after 11:59 pm (Eastern) on December 20.
- Existing NFIP policies will remain in effect until their expiration date (i.e., the renewal date plus a 30-day grace period), and claims will continue to be paid as long as FEMA has the funds on hand.
- Renewal policies are generally issued as long as the application is received prior to a lapse and the premium is received within the 30-day grace period. Other renewals must wait for reauthorization.
- During a lapse, property buyers can assume existing/renewal policies. "Assignment of policies" (page 3 [here](#)) allows insurers to substitute the buyer's name for the seller's without having to reissue the policy.
- Private flood insurance backed by a source other than NFIP (e.g., Lloyd's of London) are not affected. Click [here](#) and [here](#) for options. Please remind your clients to read the fine print of any insurance policy.
- The federal requirement to purchase flood insurance is suspended, which means it is up to lenders to decide whether to make loans in special flood hazard areas while NFIP insurance is not available.

Federal Agency Guidelines (suspending flood insurance requirements during an NFIP lapse):

FEMA (administers the NFIP): <https://nfipservices.floodsmart.gov/sites/default/files/w-17069.pdf>

Federal Reserve: <http://www.federalreserve.gov/boarddocs/caletters/2010/1003/caltr1003.htm>

FDIC: <https://www.fdic.gov/news/news/financial/2010/fil10023.html#body>

OCC: <https://www.occ.gov/news-issuances/bulletins/2010/bulletin-2010-20.html>

FCA: https://www3.fca.gov/readingrm/infomemo/Lists/InformationMemorandums/Attachments/54/IM-FEMA_Authority_Extension_re_Flood_Insurance_060310.pdf

NCUA: <https://www.ncua.gov/Resources/Documents/LCU2010-08Encl.pdf>

Fannie Mae: <https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2010/ll1005.pdf>

Freddie Mac: http://www.freddiemac.com/singlefamily/news/2018/0122_nfip_lapse.html