

Flood Insurance Extension Update

What is the issue?

Without Congressional action, the National Flood Insurance Program (NFIP) will expire at midnight on Friday, December 21, 2018. NAR is making every effort to secure a long-term reauthorization of NFIP.

What is the latest?

An NFIP extension is attached to the Continuing Resolution to fund the part of the federal government at risk of closing. The White House and Congress are continuing to negotiate over funding for border security. Congressional leaders are aware that flood insurance is caught up in this debate and considering all options, including passing an NFIP extension on a standalone basis.

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. [Read our most recent coalition letter.](#)
- Hundreds of members of Congress have been contacted about NFIP's importance since August.
- NAR has raised the profile of the issue with multiple calls for action, talking points, op-eds and paid ads.
 - [Click here](#) for the latest example of the heightened coverage the press is giving this issue.
 - [Read President Smaby's Op-Ed](#) urging reauthorization of NFIP in [The Hill newspaper.](#)

What happens IF there is a lapse?

- NFIP cannot sell flood insurance policies after 11:59 pm (Eastern) on December 21.
- 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.
- Property buyers can assume existing/renewal policies during a lapse. "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 some options. Please be sure to have your clients read the fine print.
- 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 (temporarily suspending the flood insurance requirement):

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