

July 31, 2020

The Honorable Dana Wade
Assistance Secretary for Housing
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

Vince Malta
2020 President

Bob Goldberg
Chief Executive Officer

ADVOCACY GROUP

William E. Malkasian
Chief Advocacy Officer / SVP

Shannon McGahn
SVP Government Affairs

RE: Acceptance of Private Flood Insurance for FHA-Insured Mortgages (FR-6084)

Dear Commissioner Wade:

Congratulations on your recent confirmation as FHA commissioner. On behalf of 1.4 million members, the National Association of REALTORS® looks forward to a continued, productive working relationship. We write to you today regarding the above captioned rulemaking and would appreciate the opportunity to underscore the REALTORS®' viewpoint on the importance of private market flood insurance options to housing markets and consumers.

Current FHA regulations, established two decades ago, do not allow private market flood insurance options to meet the federal mandatory purchase requirement. As a result, FHA-insured home loans may not close in many areas with a special flood hazard unless the flood insurance is provided by one and only one source: The National Flood Insurance Program (NFIP). NAR members can provide numerous examples where the market has offered better coverage at lower cost than the NFIP, but the 1999 rule needlessly constrained consumer choice, created inequities between FHA and more conventional loan holders, and raised barriers to FHA. Many FHA loans are not closing because NFIP coverage is too expensive and the lender is refusing more affordable and comprehensive private policies. Compounding this, every other lending authority now allows and, in many cases, requires acceptance of private flood insurance, leaving the FHA lenders with the untenable choice of following the lending requirement and taking their chances with FHA insurance down the road, or walking away from FHA all together in neighborhoods across 23,000 NFIP communities nationwide. The 21-year-old rule must be updated to reflect current market realities or FHA risks losing market share.

REALTORS® have been urging FHA to adopt a more permissive private flood rule since 2016 and applauded the rulemaking announcement in the Fall 2018 Unified Agenda. Aligning FHA's with other federal lending rules is:

- Statutorily law – The Biggert-Waters Flood Insurance Reform Act clearly directs federal agency lenders to accept certain private.



flood insurance. Drawing a distinction between agencies that 'insure' versus 'lend' is a hyper-technical legal reading of the Act that does not comply with the spirit -- if not the exact letter -- of the law.

- Good governance – Laws should be uniformly and consistently applied across the federal government. An agency should not be allowed to opt out and create administrative conflicts upon finding technical loopholes in a statute, especially when the Congressional intent is clear.
- Pro consumer – Once the federal minimum coverage requirement is met, consumers are in the best position to decide whether NFIP or the market best suits their flood insurance needs. Locking some consumers into a lower quality, higher cost government product serves no one.
- Fiscally prudent – Private flood insurance typically provides more coverage than NFIP making it less likely that FHA insurance will be necessary after floods. Providing for FHA lender acceptance of private policies not only bolsters the FHA Fund but also protect taxpayers.
- Consistent with FHA Goals -- All consumers, regardless of income, should have the same opportunities and access to affordable flood insurance.

While there are many reasons to pursue a rulemaking, and FHA has made some progress to date, the proposed rule remains under OMB review where it has been since January 6 of this year. Each day, more FHA loan applicants are denied access to flood insurance options. Given your previous tenure at OMB, we would be happy to lend our membership's expertise or assistance with examples or information about the value of private flood insurance in order to get the process moving again.

Again, congratulations on your confirmation and thank you for your continued attention to this matter. REALTORS® stand ready to assist FHA efforts to improve access to affordable flood insurance while furthering housing goals and protecting taxpayers. Please let us know if and how we can be of additional assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Vince Malta", written in a cursive style.

Vince Malta
2020 President, National Association of REALTORS®