

Federal Flood Insurance Program Expires on September 30, 2011

What's the Issue?

Unless Congress acts soon, the National Flood Insurance Program (NFIP) will expire on Friday, Sept. 30, 2011. Congress has allowed the NFIP to lapse 5 times since March of 2009, and each time, the lapse has undermined confidence in real estate markets nationwide as transactions were delayed or cancelled, due to the inability of buyers to obtain needed flood insurance.

What Can Members Do?

If members have transactions in the pipeline, advise them to encourage their clients to purchase flood insurance NOW, if they are required to do so. After May 31, the NFIP will not have the statutory authority to issue new or renewed policies until Congress reauthorizes the program. This will not affect existing policies, renewal policies within a 30-day grace period, or policies purchased prior to the program's lapse. Also, FEMA allows buyers to "assume" the seller's existing policy without having to re-issue it.* The purchase requirement for flood insurance may be met with non-NFIP policies; for instance, Lloyd's of London, Chubb and AIG have offered such insurance, but it can be very expensive and is limited to a certain number of states, with other conditions.

*<http://www.fema.gov/pdf/nfip/manual201005/03gr.pdf>

What is NAR Doing?

NAR is working hard to make sure this doesn't happen again. This issue was a talking point at our Mid-Year meetings in May, was the subject of an all-member Call-For-Action and Washington, DC fly-in event in July and will be the focus of in-district meetings with Members of Congress during the August congressional recess. Legislation to reauthorize the program for five years and institute needed reforms passed out of the House in June. The Senate is discussing a similar long-term reauthorization and reform bill, but they still have lots of work to do.

NAR has been working with FEMA, FHA, Fannie, Freddie and the VA to issue guidance for lenders, similar to what they provided the last time this occurred, regarding the steps lenders may take to meet the flood insurance purchase requirements during an NFIP lapse. With updated guidance in hand, lenders should have the assurances they need to continue to close loans. NAR will post the guidance from all the federal lending authorities (FEMA, FHA, Fannie, Freddie, VA, CFPA), when available, at www.realtor.org