

# Reauthorize National Flood Insurance

Without reauthorization, the National Flood Insurance Program (NFIP) will expire on September 30<sup>th</sup>, 2011. This is the tenth time in only three years that this critical program is again on the verge of a lapse. NAR urges Congress to reauthorize NFIP long-term to ensure access to affordable flood insurance.

## Legislative History

This year, the House has approved two NFIP reauthorization bills, including:

- A 5-Year Reform Bill H.R. 1309 (Biggert, R-IL; Waters, D-CA) which would put the program back on a path toward fiscal stability; and
- A 1-Year Extension as part of the FY2012 Homeland Security Appropriations Bill, H.R. 2017.

The Senate has postponed a markup of its version of the 5-year NFIP reform bill, a discussion draft.

## Issue Background

**Millions of American Taxpayers Rely on the NFIP for Flood Protection.** Floods claimed more lives and property than any other natural disaster in the United States over the last century. Unable to ignore the rising cost to taxpayers of post-disaster payments for uninsured properties or the lack of a private market for flood insurance, Congress created the NFIP in 1968. Today, 5.6 million property owners rely on the program in 21,000 communities where flood insurance is required for federally related mortgages.

**Stopgap Extensions and Shutdowns Have Exacerbated Market Uncertainty.** Since September 2008, Congress has approved nine NFIP extensions and allowed five lapses. During the June 2010 lapse, 47,000 home sales were delayed or cancelled according to NAR survey data. Real estate markets require certainty to make the long-term investments that are vital to the U.S. economic recovery.

**Private Markets Will Not Guarantee Access to Affordable Flood Insurance.** The four large insurers that write virtually all the private flood insurance today do so only for “high net worth” owners and high-value property at an average price twice the NFIP’s. Reinsurance would not address the fundamental market failure, which would force private insurers to set rates that no one but the wealthiest could afford while attempting to cover NFIP’s 5.6 million policies.

**Reauthorizing the NFIP Saves Taxpayers Both Money and Property.** Historically, NFIP has collected enough revenue to cover its cost or pay back a short-term loan from the U.S. Treasury with interest. Even with the 2005 loan balance currently at \$18 billion, reauthorization would not add to the federal budget deficit according to the Congressional Budget Office. However, the program’s requirements have already averted \$16 billion in losses by strengthening millions of properties against floods. Without NFIP, there would be more uninsured and unmitigated properties, taxpayers would still be “on the hook” for disaster assistance to these properties, and there would be no premiums to pay down any remaining loan balance or collect interest.

**Floods Are a National Problem Requiring a National Solution.** From 1990 to 2005, flood disasters were declared in every state — along rivers and lakes, behind levees and dams, anywhere snow melted or rain fell. In June 2011, they were declared in Iowa, Kansas, Indiana, Nebraska, Montana, Vermont, New York, Alaska, Illinois and Oklahoma. More than 98% of NFIP policies were issued in non-coastal communities. Historic claims data shows the top three states contributing the most net revenue to NFIP coffers were on the Gulf; the top three with the most NFIP net loss years were in the Midwest.