

NAR Legislative Analysis

Biggert-Waters Flood Insurance Reform Act of 2012

On July 6, 2012, the President signed into law the Surface Transportation Bill (H.R. 4348), which reauthorizes the National Flood Insurance Program (NFIP) through 2017. The NFIP had been operating under stopgap extensions (18 since 2008) and shut down twice for several weeks. Just one of these lapses, in June 2010, stalled more than 40,000 home sales or 1,300 homes per day. This reauthorization brings long-needed certainty to real estate transactions in the 21,000 communities nationwide where flood insurance is required for a mortgage. This is a major victory for the 5.6 million home and business owners who rely on the NFIP, taxpayers across the country who will spend less on federal disaster assistance, and NAR members whose years of hard work helped make the difference.

In addition to the 5-year program reauthorization, the bill includes many program reforms which:

- Ensure the NFIP's survival so that homeowners will NOT have to take their chances in a virtually non-existent private market for flood insurance;
- Bring certainty to half-a-million real estate transactions in 21,000 communities nationwide where flood insurance is required for a federally related mortgage;
- Maintain comprehensive coverage and program access for all properties, including second and vacation homes;
- Establish a formula for NFIP and wind insurers to pay where property damage cannot be attributed to wind or water, settling a long-standing dispute and avoiding further lawsuits;
- Eliminate subsidized insurance rates on properties with repeated flood losses and claims;
- Raise \$3 billion in revenue to help pay down the outstanding Treasury loan for the 2005 storm season, which shattered all records for hurricanes;
- Improve the accuracy of floodplain maps by establishing a technical council of experts to review and set the standards;
- Establish an independent appeals board for homeowners and communities to resolve their flood map disputes with FEMA;
- Reimburse homeowner's appeal expenses when successfully challenging a flood map;
- Require the lender to terminate the flood insurance it "force places" and issue refunds to homeowners who already have their own coverage;
- Study expanding NFIP coverage to include living and business-interruption expenses; and
- Study the availability and affordability of property insurance for natural disasters other than floods, which could help justify a role for the federal government.

NAR eliminated provisions, contained in the original legislation, which sought to end the NFIP. There are no provisions to expand the flood insurance purchase requirement to properties located behind a dam or levee (so called "residual risk" provisions). While some provisions to eliminate rate subsidies do remain, a phase-out provision was added so that any rate increase would be gradual over a period of years. NFIP coverage and access are maintained. The bill also requires a study on affordability and implementation, enabling NAR to revisit these provisions down the road if necessary. These provisions were necessary to save a program that is \$18 billion debt and secure passage of the 5-year extension to avoid further disruption of real estate markets across the U.S.