

NAR Issue Summary

Insurance / National Flood Insurance Program

NAR Committee:

Insurance Committee

What is the fundamental issue?

Congress must reauthorize the National Flood Insurance Program (NFIP) to provide flood insurance after September 30, 2020 and include meaningful reforms to strength the program's sustainability.

I am a real estate professional. What does this mean for my business?

Flood insurance is required for a mortgage in more than 20,000 communities nationwide. While there is a growing private market for flood insurance, millions of small business and home owners currently depend on the NFIP to protect their property against flooding, the most costly and common natural disaster in the United States. Without a federal insurance program, more property owners would be uninsured and have to turn to the Federal government for taxpayer-funded disaster and rebuilding assistance after major floods.

NAR Policy:

Supports:

1. Reauthorizing and strengthening the NFIP so it is sustainable over the long run;
2. Encouraging the development of a more robust private flood insurance market to offer comparable coverage at lower cost than the NFIP;
3. Providing federal assistance and resources for property owners to build to higher standards, mitigate the risk of flooding, and keep insurance rates affordable;
4. More granularly pricing NFIP policies to better reflect the property's specific risk but gradually phasing in increases over time; and
5. Improving flood map accuracy so fewer property owners have to file expensive appeals.

Opposition Arguments:

Opponents argue that home buying in riskier flood zones will continue as long as flood insurance is underpriced by federal subsidies. As a result, NFIP could be forced to borrow more to make up for the shortfall between premiums and claim



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payments.

Legislative/Regulatory Status/Outlook

On July 6, 2012, Congress passed the Biggert-Waters Flood Insurance Reform Act reauthorizing NFIP for 5 years. While ending the shutdowns and short extensions that cost 40,000 property sales each month, implementation problems threatened to undermine real estate transactions where flood insurance is required for a mortgage. NFIP's authority has since been extended until September 30, 2020.

On March 13, 2014, Congress amended Biggert-Waters with the passage of The Homeowner Flood Insurance Affordability Act. These amendments were signed into law on March 21, 2014:

- Repealed FEMA's authority to raise insurance rates at the time of property sale;
- Restored grandfathering for properties that were built to code but are later remapped;
- Reset and refunded premiums back to pre-Biggert Waters levels and gradually phases-in full risk rates over time;
- Limited future rate increases to 18% annually for newer properties and 25% for the older ones;
- Added a nominal surcharge to NFIP policies until property owners pay full-risk rates; and
- Established the Office of the Flood Insurance Advocate to help property owners with faulty flood maps and insurance rate concerns.

On June 12, 2019, by a unanimous vote of 59 to 0, the House Financial Services Committee approved [HR 3167, the NFIP Reauthorization Act](#), to extend the program for five years, include significant reforms to mapping and mitigation, and provide private flood insurance options. NAR strongly supports the bill, which meets NAR policy principles and is the product of extensive, bipartisan negotiations between Chairwoman Maxine Waters (D-CA) and Ranking Member Patrick McHenry (R-NC).

Next, the House of Representatives must vote on the measure. NAR is urging the House to take up the NFIP Reauthorization Act at the first opportunity and move the bill to the United States Senate.

Current Legislation/Regulation (bill number or regulation)

[HR 3167](#) and [committee summary](#)

Legislative Contact(s):



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Austin Perez, aperez@nar.realtor, 202-383-1046

Regulatory Contact(s):

Austin Perez, aperez@nar.realtor, 202-383-1046

