

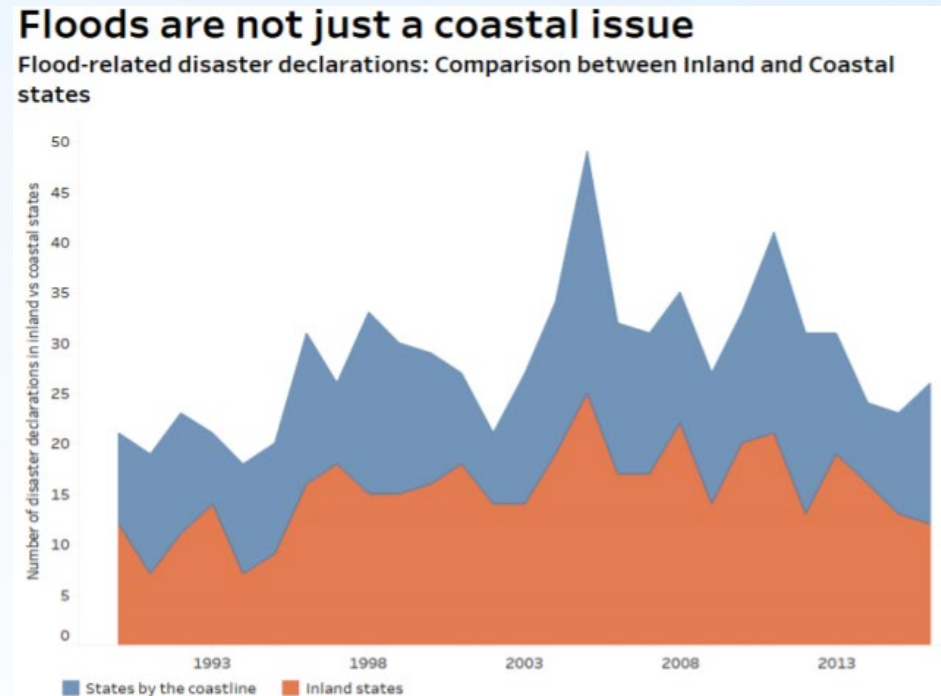
# Flood Insurance Update

Austin Perez, Senior Policy Representative

October 15, 2019

# Why is NFIP Important to REALTORS<sup>®</sup> ?

- Wherever it rains, it can flood
- 5 million families in +20,000 communities rely on NFIP
- Flood insurance required for mortgage in flood hazard areas
- NFIP authority expires Nov. 21 without Congressional action
- NAR estimates past lapses cost 1,300 transactions each day



# A Quick Legislative History

- 2008: Disagreements in Congress over how to address NFIP debt resulted in 17 short-term extensions and 4 shutdowns
- 2012: Biggert-Waters Act reauthorized NFIP for 5 years but spotlighted many problems in the current rating system
- 2014: Flood Insurance Affordability Act deleted point-of-sale provision and phases-in full risk rates over time
- 2018: B-W reauthorization expired; 13 short extensions so far

# The Latest Development

- Financial Services Committee unanimously passed the NFIP Reauthorization Act (HR 3167) on June 12
- NAR supports the bill
  - Reauthorizes the program for 5 years
  - Improves mapping and mitigation
  - Removes barriers to private market
- NFIP shuts down on Nov. 21 without Congressional action and a floor vote has not been scheduled

# The Latest Development (continued)

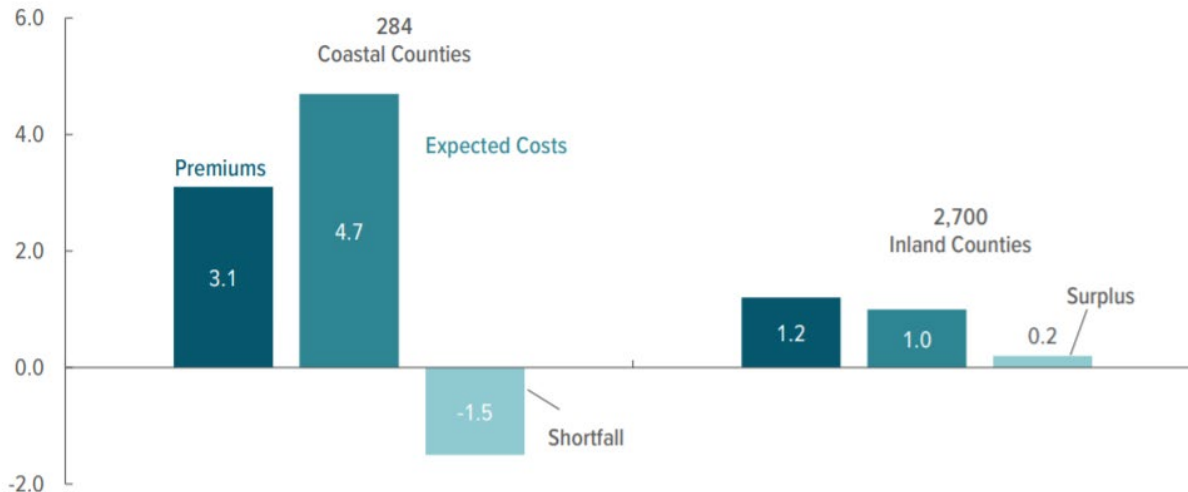
NAR Policy Position	Waters-McHenry (HR 3167 as reported)
<b>Reauthorization. Supports long term reauthorization</b>	<ul style="list-style-type: none"> <li>• <b>5 Years</b></li> </ul>
<b>Private flood insurance. Supports removing barriers to private market</b>	<ul style="list-style-type: none"> <li>• <b>Enables NFIP policyholders to move to and from private market without losing grandfathering (continuous coverage)</b></li> <li>• <b>Enables policyholders to cancel NFIP for private flood and receive refunds</b></li> </ul>
<b>Flood Mapping. Supports accurate mapping so consumers know where to build and locate safely</b>	<ul style="list-style-type: none"> <li>• <b>Authorizes \$500 million per year</b></li> <li>• <b>Provides for digital display of building specific risk data</b></li> <li>• <b>Expands mapping to all areas of the United States.</b></li> <li>• <b>Addresses urban and future flood risk</b></li> <li>• <b>Codifies map appeals and refunds</b></li> <li>• <b>Adds real estate representative to Technical Mapping Advisory Council</b></li> </ul>
<b>Risk Mitigation. Supports:</b> <ul style="list-style-type: none"> <li>• <b>Providing federal assistance for homeowners to mitigate or relocate</b></li> <li>• <b>Higher building codes and standards to avoid retrofits</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Authorizes \$200 million per year</b></li> <li>• <b>Doubles NFIP ICC coverage to \$60k</b></li> <li>• <b>Creates a low interest loan program</b></li> <li>• <b>Provides mitigation premium credit</b></li> <li>• <b>Increases assistance for repeat losses</b></li> </ul>
<b>Real Estate Disclosure. Supports maintaining state requirements and improving access to FEMA data</b>	<ul style="list-style-type: none"> <li>• <b>Maintains 50 state laws, which already require disclosure of prior flooding</b></li> <li>• <b>Provides home buyers access to FEMA data on claims, repeat loss, disaster aid</b></li> </ul>
<b>NFIP Rates. Supports aligning NFIP rates to property specific risk, updating pricing technologies and reducing cross subsidies</b>	<ul style="list-style-type: none"> <li>• <b>Allows FEMA to continue working on Risk Rating 2.0</b></li> <li>• <b>Phases-in rates over time same as current law</b></li> </ul>

# NFIP By the Numbers

- Half a Million - Number of property sales attributable to NFIP
- \$80,000 + 2 jobs - What each transaction contributes to U.S. economy
- (\$1.4 Billion) - Shortfall of NFIP's annual revenue and expected cost
- \$36,000,000,000 - Amount borrowed (including \$16B forgiven) since 2005

One-Year Premiums, Expected Costs, and Shortfall or Surplus, by Location, for the NFIP

Billions of Dollars



# Summary

- NAR is urging full House to take up NFIP Reauthorization Act but will not support a lapse of the program
- Overall, the bill makes significant improvements over current law to mapping, mitigation and private flood options
- While NAR supports the bill without further changes, House members continue to negotiate and NAR will not object if additional agreements are reached