

## NAR Debating the Issue

# Flood Insurance Reform

In addition to reauthorizing the National Flood Insurance Program (NFIP), the “Biggert Waters” Act phases-out subsidized flood insurance rates for properties purchased after July 2012, and “grandfathered” properties which are allowed to keep lower rates based upon older flood maps when new maps are issued. The law also directed FEMA to report on the affordability of these reforms so Congress could consider the impact as they took effect. That congressionally mandated report is now overdue.

NAR believes Congress should not let the rate increases go into effect until FEMA can submit its report so that Congress understands the full impact of these reforms on homeowners.

When meeting with your Member of Congress, they may reference statements that have been made in the media or by other associations and organizations that go against NAR’s position on this issue. To help prepare your response, NAR has highlighted below some of these opposing statements and how you can respond if asked.

### **The flood program is nearly \$30 billion in debt to the Treasury. Shouldn’t premiums reflect that and help FEMA begin to pay this debt down?**

- Premium dollars are used to repay any loans made to the NFIP.
- FEMA is required to pay back any loan with interest.
- Premium dollars that are paid into the NFIP lower the amount spent in direct federal disaster relief payments in the aftermath of any flooding disasters.

### **Shouldn’t NFIP premiums reflect actual risk?**

- We agree that NFIP premiums should be actuarially sound.
- However, if flood insurance becomes unaffordable, Congress will spend more on disaster relief for uninsured properties – all at taxpayer expense.
- FEMA has not yet completed the affordability study required by Congress to understand the full impact of these reforms.
- A July GAO report indicates that FEMA does not have the data necessary to estimate current subsidies or to establish the new actual risk rates.

### **Doesn’t providing federally-backed flood insurance encourage development in risky areas?**

- These areas are already developed or are coastal barrier areas that are already off limits to the NFIP.
- Historically, communities were built along the waterways that provided easy transportation. As a result, the historic core of older communities is often located in these areas.
- Other alternatives include remediation and relocation, which could prove costly and disruptive for property owners, neighborhoods and the communities in which these properties are located.

### **Why don’t we let the private market handle flood insurance?**

- Roughly 5.6 million property owners depend on flood insurance in over 20,000 communities nationwide.
- The federal government provides flood insurance precisely because the private market has been unwilling to write flood insurance at rates that average homeowners can afford

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- When the private market has offered coverage, it has been limited to “high net worth” owners and high-value properties. The federal government provides coverage and rates that average homeowners can access and afford.
- All federally-backed mortgages require flood insurance for homes in flood zones; eliminating the one affordable program available to all would put the great majority of homeowners at risk of being in default on their mortgages.

### **Aren't floods coastal issues?**

- Floods are not just a coastal issue.
- Flood zones exist along rivers, lakes, creeks, as well as the coasts.
- Flood disasters have been declared in every state.