

# NAR Talking Point

## “Delay Flood Insurance Rate Increases”

### ASK:

Co-sponsor the “Homeowner Flood Insurance Affordability Act” to delay implementation of rate increases for grandfathered and newly-purchased properties until FEMA can complete the affordability study required by the “Biggert-Waters” NFIP reform act. The bill, S. 1610, is sponsored by Senators Robert Menendez (D-NJ) and Johnny Isakson (R-GA); Representatives Michael Grimm (R-NY) and Maxine Waters (D-CA) have introduced the identical legislation in the House (H.R. 3370).

### ISSUE BACKGROUND:

In addition to reauthorizing the National Flood Insurance Program (NFIP), the “Biggert-Waters” act phases-in full actuarial rates for properties purchased after July 2012, and “grandfathered” properties which are allowed to keep the lower rate from older flood maps (to which the property was built to code) when new maps are issued. The law also directed FEMA to report on the affordability of these rate changes so Congress could consider the impact as they took effect. That congressionally mandated report is now overdue.

The Homeowner Flood Insurance Affordability Act would prudently defer further rate increases until FEMA:

- Submits the Biggert-Waters mandated affordability study and a draft regulatory solution. We believe that the results of this study combined with additional time for Congress to consider the impact of these rate changes will allow for a thoughtful way forward. As with any law, unexpected consequences often occur. We are hearing of increases beyond what anyone imagined possible. If correct, these must be addressed.
- Creates an office of the Advocate to investigate the flood insurance rate and mapping concerns. This is a necessary provision. Otherwise, property owners and real estate professionals will continue to not have an effective avenue to pursue concerns regarding flood insurance rating errors and discrepancies.

### WHY IS THIS IMPORTANT?

- Approximately 5.6 million property owners in over 20,000 communities across the country rely on the NFIP for flood insurance.
- A delay in newly-mandated NFIP rate increases will allow FEMA to determine more accurately how these rates will impact property owners as Congress planned, and give affected property owners more time to respond to higher rates.
- If fewer homeowners can afford flood insurance, in the event of future floods, taxpayers will spend more on federal disaster relief to owners of uninsured properties.
- Without flood insurance, homeowners located in flood zones could default on their mortgages.

### WHAT IS THE OTHER SIDE OF THE ARGUMENT?

Those who support increased NFIP rates argue that federally subsidized flood insurance premiums keep insurance rates too low, undercut the private market for flood insurance, encourage development in flood-prone areas, and force the NFIP to borrow from the federal government to cover flood claims. Without the increases, neither subsidized properties nor “grandfathered” properties pay rates that accurately reflect the risk of flooding.

### THE BOTTOM LINE

Congress should not let the rate increases go into effect until FEMA can submit its report so that Congress can understand and act on the full impact of these reforms.