

NAHB Resolution

Title: National Flood Insurance Program
Sponsor: Federal Government Affairs Committee
Submitted by: Stillman Knight

WHEREAS, Congress directed the creation of the National Flood Insurance Program (NFIP) to ensure flood insurance coverage would be available on reasonable terms and conditions for homes and commercial structures exposed to flood risks;

WHEREAS, to do so, the NFIP sets up a multi-facted, multiple objective program that includes not only flood insurance, but also flood risk mapping to identify and assess flood risks, local ordinances governing land use and construction to reduce flood losses over time, and planning and mitigation measures;

WHEREAS, the NFIP requires the mandatory purchase of flood insurance for all structures located within the 100-year floodplain that are financed by a federally-backed mortgage and requires the lowest floor of residential structures to be elevated above the base flood elevation (BFE);

WHEREAS, the Federal Emergency Management Agency (FEMA), through the NFIP, currently provides flood insurance to approximately 5.3 million policyholders, enabling them to protect their properties and investments against flood losses;

WHEREAS, the NFIP has sustained a number of significant payouts due to recent natural disasters, and these outlier events have severely taxed and threatened the program's solvency and required Congress to appropriate additional funds to ensure that the NFIP has sufficient financial resources to pay claims;

WHEREAS, because the NFIP is currently reporting \$23 billion in debt and additional congressional appropriations or debt restructuring will likely be needed in the near future to ensure the continuation of a functioning program, many in Congress are seeking broader reforms that will decrease federal liabilities, further reduce risks, share risks among a broader pool of applicants, or add other revenue streams;

WHEREAS, despite a few catastrophic events with significant payouts, throughout the life of the program, the NFIP has been successful in directing the use of flood-prone areas to minimize future flood damage and reduce federal expenditures for flood control and disaster assistance through its partnership with state and local governments, the Community Rating System, mandates for structures within the 100-year (one percent chance) floodplain and special flood hazards areas, the 50% threshold for substantial improvement and other efforts to mitigate future flood damage;

WHEREAS previous lapses in the availability of new NFIP policies and changes that triggered surcharges and faster increases in premiums so that they would reach full-risk rates sooner resulted in negative impacts on affordability, lost property sales, closing delays, and significant reductions in the value of many homes and commercial structures;

WHEREAS, despite FEMA's ongoing efforts to update and modernize the Flood Insurance Rate Maps (FIRMs), accuracy problems remain, and the process and timeline to get the maps changed is costly and burdensome and leads to project delays;

WHEREAS, various federal agencies and courts have misused the NFIP to usurp local land use authority and pursue objectives outside the scope of the program, such as species protection, open space preservation and to mitigate future conditions; and

WHEREAS, reforms to the NFIP have the potential to place additional burdens on federal, state and local governments and the home building and apartment industries; increase building costs; reduce resale values for existing homes and structures; reduce the availability of buildable land; and reduce the affordability of housing,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders (NAHB) support congressional efforts to maintain the availability, predictability, affordability, and solvency of the National Flood Insurance Program (NFIP) and urge reauthorization of the program for a minimum of five years prior to its expiration.

BE IT FURTHER RESOLVED that NAHB urge Congress, in the reauthorization, to:

- Ensure that flood insurance is available and affordable to all properties in participating communities.
- Maintain the 100-year floodplain as the foundation for the NFIP's programmatic requirements, such as the current mandatory purchase requirement.
- Limit coverage to flood damage only, and thereby refrain from expanding coverage for wind-related or other damage;
- Continue to limit the NFIP's residential design, construction and modification requirements to only those structures located within the 100-year (1 percent annual chance) floodplain, regardless of any revision to the Special Flood Hazard Area, the area or standard for mandatory flood insurance purchase or any other additionally mapped area or standard added via Executive Order or guidance document.
- Refrain from making changes to the numbers, location or types of structures required to be covered by flood insurance (including those sited behind flood protection structures), unless and until it is empirically demonstrated with appropriate documentation that the risks and hazards justify the costs incurred to insure such buildings. Such documentation should include the regulatory,

financial and economic impact of any such changes on FEMA, local communities and local land use, and should consider in particular:

1. The liability on lenders to comply with any new regulations;
 2. The burden on building officials and floodplain managers to implement regulations in any new or expanded area;
 3. The impact on FEMA to process appeals, such as Letters of Map Change LOMC), Letters of Map Amendment (LOMA), and Letters of Map Revision LOMR);
 4. The burden to existing policy holders of floodplain properties;
 5. The increased cost for home construction;
 6. The impact on housing affordability; and
 7. The impact of reduced land availability.
- Recognize the varied opportunities and mitigation strategies available for reducing flood exposures and ensure needed regional and geographical flexibility by continuing to provide appropriate exemptions for floodproofed residential basements and other regionally appropriate building techniques designed to minimize structural flood damage.
 - Maintain the threshold for “substantial improvement” as those that equal or exceed 50% of the value of the structure before the start of construction of the improvement using estimates that are reflective of local costs and conditions.
 - Include a rate structure that is predictable, consistent, and tied to a set of factors readily understandable by all stakeholders.
 - Specifically exclude damage and costs resulting from the failure of federally-controlled flood control structures from the calculations of flood damage, claims payments, and the determination of actuarial risks and flood insurance rates;
 - Support a private insurance market if it:
 1. Does not adversely impact general program administration (e.g., mapping, fees, etc.), product offerings, insurance ratings or pricing, or the overall solvency of the NFIP;
 2. Offers products that are recognized by the GSEs and banking industry as acceptable forms of insurance;
 3. Offers products that, if purchased, meet the NFIP mandatory purchase requirements;
 4. Offers competitive products that are sufficiently available across the country; and
 5. Does not adversely impact community participation in the NFIP.
 - Continue to be vigilant in working with FEMA to ensure the mapping process is timely, predictable and reliable, the maps are scientifically based and reflect true risks, and all parties have access to the most up to date and accurate data feasible.
 - Clarify that FEMA’s responsibilities do not allow it to interfere with local land use authorities to protect endangered species and their habitat, or other purposes unrelated to floodplain management.

- Ensure the routine drafting, public review, and publication of:
 1. An Independent Study prior to any change to the rate structures or tables that reviews the NFIP's enrollment and payout data, actuarial models and proposed actuarial rates, and assesses the impacts any proposed changes will impose on homeowners, home buyers, and businesses; and
 2. An annual report of overall program statistics and data to provide greater transparency and understanding of the impact of the NFIP on and among stakeholders.

BE IT FURTHER RESOLVED that NAHB urge FEMA, in updating and maintaining the FIRMs to:

- Allow sufficient time between the publishing of the new maps and their adoption by local jurisdictions so that the new elevations, their justifications, and all data regarding how private and public flood control structures have been addressed may be fully studied by and vetted through independent experts; and
- Continue its practice of notifying owners whose properties have been remapped or newly-mapped; and
- Ensure that the participation in the NFIP of affected jurisdictions will not be adversely affected during the interim between the maps' publication and effective date; and
- Revise the map appeals processes, including LOMC, LOMA, and LOMR to make them more transparent, timely, and predictable and ensure that they afford owners and jurisdictions ample opportunity to engage with the agency during the review.

Please note: If approved, this resolution will replace the following active policies:

- *2013.6 No. 3 Flood Insurance Biggert Waters Reform Act*
- *2011.5 No. 5 Expansion of the National Flood Insurance Program*
- *2006.1 No. 7 National Flood Insurance Program*
- *2004.1 No. 9 National Flood Insurance Legislation*

Board of Directors Action:	Approved
Executive Board Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Land Development Committee Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Construction, Codes & Standards Committee Action:	Recommends Approval
State & Local Government Affairs Committee Action:	Recommends Approval
NAHB Remodelers Board of Trustees Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Multifamily Council Board of Trustees Action:	Recommends Approval