



National Flood Insurance Program (NFIP)

Background:

In 1968, Congress created the National Flood Insurance Program (NFIP) to provide a means for property owners to protect themselves financially from flood events. The NFIP offers flood insurance to homeowners, renters and business owners if their community participates in the NFIP. Participating communities agree to adopt and enforce floodplain management ordinances that meet or exceed the Federal Emergency Management Agency (FEMA) requirements.

In previous reauthorizations, dramatic flood insurance rate hikes had negative effects on housing affordability and resulted in the cancellation of numerous home sales. Any lapses in the program or significant increases in premiums will have negative long term effects on the housing industry and local economic growth. A strong, viable national flood insurance program enables builders to continue to provide safe, decent, and affordable housing to consumers.

Since the program's inception, because of a Congressional requirement, all properties located within the Special Flood Hazard Area (SFHA) (e.g., the 100-year floodplain) and purchased with a federally-backed mortgage are required to carry flood insurance. Because of this mandate, it is essential that the NFIP is reauthorized by the deadline of Sept. 30, 2017.

New Construction Mandate:

The House Financial Service Committee's Republican leadership has released an NFIP reauthorization draft bill that negatively targets the development of new construction in the 100-year floodplain.

NAHB supports the Committee's move toward further opening access for private insurance companies to directly offer insurance; however, the Committee's Republican leadership put forward draft legislative text that would directly hurt new development. Specifically, four years after the reauthorization, new construction in the SFHA would no longer have access to the NFIP, pending the availability of private insurance.

It is up to the states to determine if private insurance is available, but the process to do so is vague and subjective; furthermore, it does not address the affordability of private insurance.

Additionally, if a state determines it does not have access to private insurance and they are allowed to participate in the NFIP, those properties will be forced to pay a 10% surcharge. Also, they will only be given access to the NFIP for 12 months at a time (or at the discretion of FEMA). This will lead to uncertainty and unpredictability in the market.

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Creates an Artificial Marketplace

Instead of letting the private insurance companies enter the market organically, this mandate artificially skews the market. Successful markets are based on society's needs and demands, not government intervention.

Hurts the NFIP

New construction is built to more stringent building codes and standards, and it traditionally outperforms the older housing stock in flooding disasters. It also pays full-risk rates, paying more into the NFIP than it takes out in claims. Taking these policies out of the NFIP would hurt the financial soundness of the program in the long run.

Unknown Market

Currently, most private insurance is used as a secondary source after the NFIP. Because private companies are less active in the flood insurance market, they do not have access to the data required to determine rate structures or determine where they are willing to write policies. Thus, it is uncertain if private insurance will offer affordable policies in all areas of the country.

Economic Impact

Limiting access to affordable flood insurance may lead to limiting development. NAHB's economics department determined that annually, new construction in the 100-year floodplain creates:

- **\$34.1 billion** in wages and salaries for U.S. workers
- **\$23.8 billion** in taxes and other revenue for governments in the U.S.
- **587,267** full-time U.S. jobs

It is essential that the NFIP is reauthorized in a timely manner, but not by hurting the NFIP or middle-class Americans.

Take Action

Ask your Member of Congress:

- Oppose any language that would negatively target new construction and hurt the fiscal soundness of the NFIP.
- Pass an NFIP reauthorization bill before Sept. 30.

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