

Proposed Flood Insurance Reform Legislation, 2010

HR 5114 Flood Insurance Reform Priorities Act of 2010

Marked-up and reported favorably out of House Financial Services Committee
April 27, 2010

Included in this bill:

- 5 year reauthorization of the NFIP and of the Severe Repetitive Loss Pilot program
- Increase in maximum coverage limits:
 - Residential: \$335,000 (from \$250,000)
 - Contents: \$135,000 (from \$100,000)
 - Commercial/Non-Residential: \$670,000 (from \$500,000)
- Phase-in of actuarial rates for commercial and non-primary residential pre-FIRM properties (Does not apply to multifamily rentals or primary residence (for tenant) rentals)
- 5 year delay in mandatory purchase requirement for areas newly mapped as Special Flood Hazard Areas (SFHAs). Does not delay effective date of maps, notification of flood hazard, availability of flood insurance or eligibility for mitigation
- 5 year phase-in of actuarial rates at 20% per year after end of 5 year delay in mandatory purchase
- Increase in annual cap on premium increases from 10% to 20%
- Requires equal treatment of non-federal and federal flood control projects with regard to flood insurance mapping and rating
- Directs that there be no mandatory purchase requirement in areas behind a flood control project which was built using federal data and designs but does not meet FEMA's accreditation standards.
- Eliminates waiting period if policy is purchased within 30 days of property purchase or transfer
- Increase in penalties to federally regulated lenders to \$2,000 for each failure to enforce mandatory purchase with an increase in the annual cap in fines for institutions to \$1 million.
- Requires landlords to advise tenants of location in SFHA and availability of contents coverage
- Establishes a competitive grant for communities to conduct outreach programs to encourage purchase of flood insurance
- Requires disclosure under the Real Estate Settlement Procedures Act (RESPA) that flood insurance is available whether or not a property is in a SFHA
- Requires FEMA and HUD to develop plans to verify compliance with flood insurance purchase requirements associated with Homeowner Assistance Grants in Mississippi and Road Home Grants in Louisiana

- Creates an office of the National Flood Insurance Advocate within FEMA to be funded by up to \$5 million from the National Flood Insurance Fund
- Requires a GAO study on extension of the mandatory purchase requirement to all properties in a SFHA
- Requires GAO study of ways to increase participation of low-income households in the NFIP
- Requires FEMA to conduct a 6 month study regarding inclusion of building codes in floodplain management criteria

Amendments during Committee consideration and mark-up

During full Committee mark-up of the bill, seven amendments were offered, five were agreed to. Those are:

1. Manager's Amendment (by Subcommittee Chair Maxine Waters, D-CA):
 - expands notification requirements to include annual notification to those who reside in SFHAs, description of the flood insurance purchase requirement in SFHAs and a general estimate of actuarial rates in the area:
 - provides optional coverage for additional living expenses and business interruption
 - establishes minimum deductibles for pre and post-FIRM properties
 - provides that the new Office of the Advocate assist homeowners with interpreting, implementing and appealing flood insurance maps and determinations
 - makes demolition and rebuilding an eligible activity under the Flood Mitigation Assistance program (FMA)
 - requires FEMA to submit to Congress in 6 months a plan for repayment of the NFIP debt to the U.S. Treasury within 10 years
 - requires a GAO study of the impact of the phase-in of actuarial rates for pre-FIRM non-residential and non-primary properties, including impact on program participation
2. Rep. Garrett (R-NJ)
 - adds pre-FIRM properties purchased after date of enactment of this bill to the categories of properties moving to phase-in of actuarial rates (ie. non-residential and non-primary residences)
3. Rep. Scott (D-GA)
 - provides that a household with income below 200% of the poverty line may pay for flood insurance on a monthly installment basis
4. Rep. Speier (D-CA)
 - provides that lenders may not require the purchase of flood insurance coverage in excess of replacement cost
5. Reps. Maffei (D-NY) and Speier (D-CA)
 - makes the 5 year delay in mandatory purchase for areas newly mapped as SFHAs retroactive to September 1, 2008; clarifies that no refunds are authorized for policies purchased during the retroactive period.

HR 5255 The Stable Flood Insurance Authorization Act of 2010

Introduced by House Financial Services Committee Chairman Barney Frank (D-MA) and referred to the Committee on May 7, 2010

Included in this bill:

- Interim extension of the National Flood Insurance Program authority to Sept. 30, 2010.
- 3 year delay in mandatory purchase requirement for areas newly mapped as Special Flood Hazard Areas (SFHAs). Does not delay effective date of maps, notification of flood hazard, availability of flood insurance or eligibility for mitigation