



## Legislative Bulletin.....May 16, 2012

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H.R. \_\_ — To Extend the National Flood Insurance Program

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### H.R. \_\_ — To Extend the National Flood Insurance Program (Biggert, R-IL)

**Order of Business:** The legislation is scheduled to be considered on Wednesday, May 16, 2012, under a motion to suspend the rules and pass the bill.

**Summary:** The legislation provides for a one month extension of the National Flood Insurance Program. Specifically, H.R. \_\_ extends the National Flood Insurance Program until June 30, 2012, and enacts into law some reforms previously included in the flood insurance reform bill, [H.R. 1309](#), which passed the House 406-22 on July 12, 2011. The following highlights the reforms in the bill.

- The legislation requires that each federal agency lender shall accept private flood insurance as satisfaction of the flood insurance coverage requirement if the flood insurance coverage provided by such private flood insurance meets the requirements for coverage. The legislation also requires that the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation shall accept private flood insurance as satisfaction of the flood insurance coverage requirement if the flood insurance coverage provided by such private flood insurance meets the requirements for coverage.
- The bill requires a variety of reports by FEMA and the Government Accountability Office (GAO) regarding various privatization initiatives, including: investigating options to begin privatizing the NFIP over time; determining the capacity of private insurers, reinsurers, and financial markets to underwrite NFIP flood risk; and assessing new ways to strengthen the NFIP's ability to pay claims without having to borrow from the Treasury.
- The bill requires FEMA and GAO to conduct a study to assess options, methods, and strategies for offering voluntary community-based flood insurance policy options, and report their findings to Congress within 18 months.

**Background:** The National Flood Insurance Program (NFIP) was created by Congress in 1968 to provide insurance as an alternative to direct federal disaster assistance for individuals living in flood-prone areas. The program is administered by the FEMA, and the NFIP

provides financial protection by offering flood insurance to homeowners, renters and businesses if their community participates in the NFIP. Flood insurance is mandatory for properties financed by a federally regulated lending institution, a government sponsored enterprise (GSE) for housing, or a federal lender. Additionally, flood insurance is mandatory for properties located within an area designated as having at least a one percent chance of being flooded in any year, and these areas are known as Special Flood Hazard Area (SFHA).

Congress last passed a long-term NFIP reauthorization and reform bill in 2004 (P.L. 108-264). Since September 2008, the NFIP has been extended seventeen times; congress extended the current program through May 31, 2012. These short-term extensions and lapses in the program have created needless uncertainty in the residential and commercial real estate sectors in communities across the country.

**Conservative Concern:** Some conservatives may be concerned that the National Flood Insurance Program (NFIP) dampens the financial and common-sense disincentives to build homes in flood-prone areas by making flood insurance artificially more available than it otherwise would be. Other conservatives have expressed concern over the NFIP's ever growing debt. Some conservatives may be concerned that the program currently owes the Treasury more than \$17.8 billion. Though the extension takes steps in the right direction by providing studies to privatize the program, some conservatives may be concerned that the legislation does not protect the taxpayer from another NFIP bailout in the event of catastrophic loss.

**Committee Action:** H.R. \_\_\_ has yet to be introduced.

**Administration Position:** No Statement of Administration Policy (SAP) is available.

**Cost to Taxpayers:** No CBO score citing a cost to taxpayers is available.

**Does the Bill Expand the Size and Scope of the Federal Government?:** No.

**Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?:** No.

**Does the Bill Comply with House Rules Regarding Earmarks/Limited Tax Benefits/Limited Tariff Benefits?:** Though the bill contains no earmarks, and there's no accompanying committee report, the earmarks rule (House Rule XXI, Clause 9(a)) does not apply, by definition, to legislation considered under suspension of the rules.

**Constitutional Authority:** A committee report stating constitutional authority is unavailable.

**RSC Staff Contact:** Ja'Ron Smith, [ja'ron.smith@mail.house.gov](mailto:ja'ron.smith@mail.house.gov), 202-226-9717