

NFIP Changes Pose a Serious Threat to Homeowners and the Housing Market

On behalf of the nearly 7,000 community banks represented by the Independent Community Bankers of America (ICBA), thank you for convening this hearing on “Implementation of The Biggert-Waters Flood Insurance Act of 2012: One Year After Enactment.” ICBA is pleased to have this opportunity to submit a statement for the record. ICBA has serious concerns about the impact of drastic and unsustainable flood insurance premium increases on homeowners, local housing markets, mortgage lenders, and the broader economy. Pending premium increases are already depressing home values and freezing the housing market in certain communities, and the impact will only get worse as the law continues to be phased in. ICBA urges the Senate to expeditiously pass legislation to stop premium increases until the Federal Emergency Management Administration (FEMA) completes its study on affordability, as mandated by the Biggert-Waters Flood Insurance Act (“Biggert-Waters”).

ICBA does not believe Congress intended the rapid dislocation that premium increases of such magnitude will bring. In some cases, premiums will increase by 500 percent or more and the phase-in schedule, though helpful, will do little to offset the impact. Premiums of \$25,000 a year or more on modest single family homes are disproportionate to the risk and to the value of the home. Properties built to code under then-current flood maps (“grandfathered properties”) as well as older properties that pre-date the NFIP (“subsidized properties”) but have never experienced a flood will be subject to these premium increases. Moreover, new flood maps do not take into account a community’s flood mitigation efforts, including levees and pump systems paid for by the community, and therefore mandate unnecessary elevations. If no action is taken, dramatic rate increases will:

- Price people out of their homes. New premiums will simply be unaffordable for many middleclass homeowners.
- Cause homeowners to drop coverage and thereby undermine the NFIP.
- Destroy home values. Home values are already dropping in certain communities in anticipation of the rate increases. For example, the St. Charles Parish, Louisiana Tax Assessor estimates new premiums will depress home values by 18 to 30 percent. In many communities, the housing market recovery could be abruptly reversed.
- Undermine the value of mortgage collateral, drive mortgages into delinquency, erode bank capital, and thereby depress new lending.
- Curtail property tax revenues local governments rely on to fund schools and other essential services.
- Depress consumer spending and economic growth.

The impact of rate increases will be seen not only in coastal communities but in any community located near a river. Broad swathes of the country will be impacted.

We urge Congress to act expeditiously to amend the Biggert-Waters Flood Insurance Act. ICBA supports all viable solutions to provide immediate relief for policy holders. We are grateful to Senators Mary Landrieu (D-LA) and David Vitter (R-LA) for their leadership on this issue and support their legislative efforts. In particular:

- S. 996, sponsored by Senator Landrieu, would create an exemption from new risk-based premium rates for properties purchased before the enactment of the Flood Insurance Act of 2012.
- An amendment sponsored by Sens. Landrieu and Vitter would provide a three-year delay in changes to flood insurance rates for grandfathered properties and would accelerate the FEMA affordability study. Senator Landrieu subsequently amended the Senate Department of Homeland Security Appropriations Act to prohibit the use of funds by FEMA for one year to implement changes to flood insurance rates for grandfathered properties.
- The Responsible Implementation of Flood Insurance Reform Act (S. 1098), sponsored by Senator Vitter, would prohibit premium adjustments based on incomplete or inaccurate maps and require FEMA to recognize community-funded flood systems built without federal dollars, among other changes.

In addition, the House-passed Department of Homeland Security Appropriations Act contains an amendment, sponsored by Rep. Bill Cassidy (R-LA), that prohibits FEMA for one year from using funds to implement changes to flood insurance rates for grandfathered properties. That both the House and Senate versions of the Department of Homeland Security Appropriations Act contain premium increase-delay amendments is evidence of strong bipartisan and bicameral support for that policy.

ICBA urges this Committee and the Senate to act, without delay, as premium increases for additional properties go into effect this October 1 and in 2014. While ICBA supports reforms to strengthen the NFIP, the impending changes will only weaken the NFIP by driving down participation. Premium rate shock will endanger homeowners, mortgage lenders, local governments and the broader economy.

Thank you for your consideration.