

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: Protecting Taxpayers and Homeowners.” 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 House to expeditiously pass the Homeowner Flood Insurance Affordability Act (H.R. 3370), which will provide a four year delay for most rate increases.

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.
- 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. In particular, ICBA supports H.R. 3370, introduced by Reps. Grimm and Waters, which would:

- Delay premium rate increases for most properties for approximately four years.
- Require FEMA to complete an affordability study initially mandated by the Biggert-Waters Act.
- Require FEMA to propose an affordability framework for consideration by Congress that will help homeowners cope with higher premiums.
- Eliminate the 50 percent cap on community-provided funding for the construction of flood protection systems. FEMA does not currently recognize systems built without federal dollars and flood maps do not take them into account.

Nearly 130 bipartisan members of the House have cosponsored H.R. 3370. ICBA urges this Committee and the House to act, without delay, as premium increases for additional properties went into effect October 1 and additional increases will take effect in 2014. Premium rate shock will endanger homeowners, mortgage lenders, local governments and the broader economy.

Thank you for your consideration.