

Memo



DATE: March 14, 2019

House Financial Services Committee Hearing on the National Flood Insurance Program

General Overview

On March 13, 2019, the House Financial Services Committee held a full committee [hearing](#) on flood insurance reauthorization titled, “Preparing for the Storm: Reauthorization of the National Flood Insurance Program (NFIP).” The following four discussion drafts were discussed at the hearing:

- [H.R.](#), “Waters_009”: would reauthorize the NFIP through September 30, 2024, and address a number of affordability issues such as: 1) forgiving the NFIP’s debt; 2) creating a 5-year demonstration for means-tested assistance to low-income policyholders; 3) reducing fees and surcharges; 4) revising the NFIP’s coverage limits; 5) enabling policyholders to pay premiums in monthly installments; and 6) creating a state revolving loan fund modeled after [legislation](#) previously introduced by Rep. Charlie Crist (D-FL), the “State Flood Mitigation Revolving Fund Act of 2019” ([H.R. 1610](#)).
- [H.R.](#), “Maj_Mitigation”: would make several improvements to floodplain management and mitigation such as: 1) raising the amount of funds available under Increased Cost of Compliance program and expanding the eligible mitigation activities to include the cost of acquisitions, among others; 2) granting the Administrator discretion to consider the extent to which communities are working to remedy problems with repeatedly flooded areas when administering mitigation assistance; 3) granting credits for alternative forms of mitigation, allowing coverage for coops and community-based policies; and 5) authorizing flood plain management activities.
- [H.R.](#), “Maj_Mapping”: would reauthorize the flood mapping program and provide funding to support flood mapping. It would also make several improvements to the mapping program such as: 1) requiring the most up-to-date technology, and more advanced and granular flood maps; 2) improving the process for policyholders and communities to appeal FEMA’s mapping decisions; and 3) creating new flood map zones for levee-impacted and agricultural areas.
- [H.R.](#), “National Flood Insurance Program Administrative Reform Act of 2019”: would make numerous improvements to the claims process drawing on the lessons learned from Superstorm Sandy. The bill would ensure that policyholders better understand the terms of their flood insurance policies and improve the appeals and litigation process for consumers.

Witnesses

Panel I

- The Honorable Sean Duffy

- The Honorable Garret Graves
- The Honorable Blaine Luetkemeyer
- The Honorable Frank Pallone
- [The Honorable Bill Pascrell](#)
- The Honorable Steve Scalise

Panel II

- [Maria Cox Lamm](#), South Carolina Department of Natural Resources, on behalf of the Association of State Flood Plain Managers
- [Christopher Heidrick](#), Heidrick & Company Insurance and Risk Management Services, LLC, on behalf of the Independent Insurance Agents and Brokers of America
- [Velma Smith](#), Senior Office of the Pew Charitable Trusts
- [Mabel Guzman](#), Broker, on behalf of the National Association of Realtors
- [Collin O'Mara](#), President and CEO of the National Wildlife Federation, on behalf of the SmarterSafer Coalition
- [Raymond Lehmann](#), Director of Finance for Insurance and Trade Policy at the Street Institute

Summary

Chairwoman Maxine Waters (D-CA), in her opening statements, discussed the drafts before the Committee, including one that would create a demonstration program to provide targeted financial assistance, cancel NFIP's debt, and repeal surcharges and fees that contribute to affordability challenges. Two of the other drafts, she stated, call for updated mapping technologies to improve accuracy and provide authorization and funding for mapping, floodplain management, and mitigation. The fourth draft heard was a proposal introduced by Rep. Nydia Velazquez (D-NY) that seeks to ensure there are safeguards in place for greater accountability and oversight to guarantee that claims are handled fairly and efficiently.

Ranking Member Patrick McHenry (R-NC) expressed strong concerns with the proposed legislation's debt forgiveness, stating "This bill forgives debt without any assurances that this wouldn't just pile back up again." He reiterated that this amount of debt "should give everyone cause for concern about flood insurance's long-term fiscal stability." In closing, the Ranking Member stated support for a quick reauthorization of NFIP, including better mapping and modernization of the flood insurance program.

Republicans on the Committee were troubled with the provisions regarding debt forgiveness but did support overall reauthorization of the NFIP and expressed desire to avoid another last-minute extension. Rep. Barry Loudermilk (R-GA) expressed dismay over the level of NFIP debt stating that, "the government doesn't live by the same rules we put on people. How many businesses or individuals would be able to just forgive their debt?" Rep. Loudermilk and Rep. Steve Scalise (R-LA) expressed support for provisions that would allow private insurance companies to enter the flood insurance market. Rep. Scalise also asserted the need for private insurance to be accepted by financial institutions in order for policyholders to meet flood insurance requirements.

Rep. Carolyn Maloney (D-NY) questioned the witnesses regarding the proposed state revolving loan fund for flood mitigation. Mabel Guzman, on behalf of the National Association of Realtors, supported the provision stating that these loans would allow for mitigation that would reduce the costs to the taxpayers and the risks to homeowners. Rebuilding on sites where there is high flood risk post-disaster was highlighted by Rep. Lacy Clay (D-MO). Ms. Velma Smith, of the Pew Charitable Trusts, emphasized the need to look ahead. She stated

that if there are plans to rebuild in high-risk areas the infrastructure must be resilient. Democrats on the Committee focused their time on the need for insurance affordability for low-income policyholders and urged members to support a timely consensus on a long-term reauthorization.

Next Steps

The NFIP authorization expires on May 31, 2019, leaving Congress to compromise on a bill that would provide a long-term renewal. If the House and Senate cannot compromise, it is likely that they will pass an 11th short-term extension. But, if the two chambers cannot come to an agreement on a short-term expansion then the program will expire.

The last long-term renewal of the National Flood Insurance Program expired on September 30, 2017, and Congress has been unable to pass another long-term bill since then. In the next few weeks, it can be expected that the House will work quickly to pass NFIP legislation.

We will continue to monitor the development of an NFIP reauthorization and will keep you informed of any developments.