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With Expiration Looming, NAR, NAHB Applaud Flood Insurance Renewal Progress

It remains to be seen if it passes into law, or how it will hold up during the process, but housing industry groups say an agreement has been hammered out for renewing the **federal flood insurance program**. Both the National Association of Home Builders (NAHB) and the National Association of Realtors® (NAR) say they have been working with the House Financial Services Committee on parameters, for, in the words of NAHB, "A viable, long-term flood insurance reauthorization bill that will keep the National Flood Insurance Program (NFIP) fiscally sound and enable home builders to provide safe and affordable housing to consumers."

A flood insurance policy is **required of homeowners** who live in certain Federal Emergency Management Agency (FEMA) designated flood plains and have a mortgage issued by any **federally charted financial institution**. The program provides $1.25 trillion in coverage for about 5 million policyholders nationwide. Policies are issued by private insurers but are backed by FEMA. Because not all homeowners are required to carry the insurance, risk is not shared over various levels of risk. NFIP was authorized by an act of Congress in 1968 and has been reauthorized periodically since then.

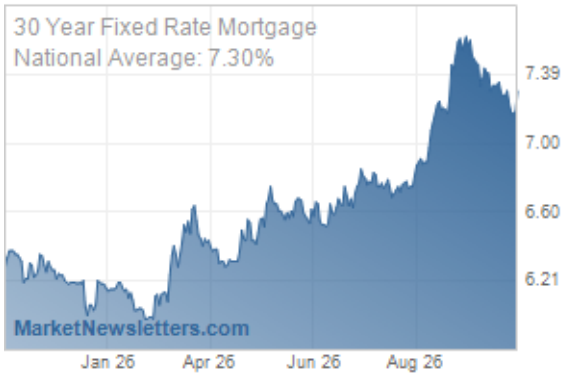
The current reauthorization would be through the "21st Century Flood Reform Act." NAR said changes to the legislation have **cleared the way** for their endorsement of the bill.

The Chicago Tribute, after the recent flooding in Illinois, reported that the federal program is indebted to the U.S. Treasury for $24.6 billion after massive payouts for damages caused by Hurricane Katrina, Superstorm Sandy, and other recent and devastating floods. NFIP is paying $400 million in interest on that debt.

Flood insurance premiums do not reflect the true cost of the program and policies are not only backed by FEMA, they are federally subsidized. The last reauthorization of the program in 2012, the Biggert-Waters Flood Insurance Reform Act, required NFIP to raise premium rates to reflect true risk.

While Biggert-Waters grandfathered existing policies, albeit with a **gradual reduction** of those subsidies, new policies were issued at a full risk-based rate. This caused immediate disruption in coastal and other flood-prone areas. In 2013, MND wrote about one homeowner, in Pinellas County, Florida, who purchased a future retirement home in 2012 and paid a $3,300 premium for his first year of coverage. When he received his next bill, it was

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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for $24,300. Congress quickly rolled back the risk-based premium requirement, but it continues to hang over the real estate market in lower elevation areas.

Among the Financial Services Committee's proposed changes that are supported by the housing groups are:

- Elimination of a provision that would have ended NFIP coverage of new homes constructed in the 100-year floodplain;
- Ensuring that "grandfathering" will remain for all policyholders if their risk changes when FEMA periodically revises its flood plain mapping.
- Raises the annual premium floor for rate increases from its current 5 percent level to 6.5 percent rather than the 8 percent originally proposed.

The changes laid out in press releases from NAHB and NAR do not appear to address the problem of **premium increases** when properties change hands. There are anecdotal reports that uncertainty over this issue is already impacting real estate sales in some coastal areas.

NAHB Chairman Grant MacDonald said, "NAHB commends House Financial Services Chairman Jeb Hensarling and Housing Subcommittee Chair Sean Duffy for their leadership in working with us to produce a bill that will **preserve rate affordability**, shore up the NFIP and address the concerns of the housing community. With the NFIP set to expire on Sept. 30, we urge the House to pass this bill quickly."

NAR President William E. Brown, said, "This legislation protects taxpayers, as well as homeowners, which is no easy task. The September 30 reauthorization deadline still looms in front of us, and Realtors® are eager to see this legislation progress quickly. Leaders on both sides of the aisle are well aware that this issue touches 22,000 communities - in every state, both coastal and inland. We're grateful for the committee's support and look forward to their continued efforts on behalf of homeowners."

Expert Advice | Exceptional Service | Flawless Execution

With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

Rich E. Blanchard 

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