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June 25, 2019

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-204, US Capitol
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
H-204, US Capitol
Washington, DC 20515

Dear Speaker Pelosi and Republican Leader McCarthy:

I am writing today on behalf of The Pew Charitable Trusts flood-prepared communities initiative regarding H.R. 3167 and the need to modernize the National Flood Insurance Program (NFIP) as part of a long-term reauthorization. This program that so many Americans rely on is caught in a vicious cycle of flood, damage, and debt, currently owing over \$20 billion to the U.S. Treasury.ⁱ Citing the program's importance, financial instability, and predicted future risk, the Government Accountability Office (GAO) has listed the NFIP as a "high-risk" program since 2006.ⁱⁱ

In a demonstration of good faith-compromise and leadership, the House Financial Services Committee passed H.R. 3167 with unanimous, bipartisan support. This shows that reforming the NFIP prior to its expiration on September 30th is a priority, and Pew commends the House for taking important steps towards ensuring that this is accomplished.

H.R. 3167 includes important provisions supported by Pew that would help more communities mitigate the effects of flooding. Section 105 of the bill would establish a revolving loan fund for flood mitigation to provide low interest loans to help communities, schools, businesses, and families undertake a range of activities proven to reduce the hazard posed by flooding, such as buying out repeatedly flooded properties and undertaking environmental restoration to reduce flood risk. This proposal was originally introduced as H.R. 1610 by Congressmen [Charlie Crist \(D-FL\)](#) and Roger Williams (R-TX) and supported by hundreds of organizations across the country. In addition, a [Pew poll](#) shows overwhelming support for such a provision with 85 percent of voters across party lines.

The bill also includes language in Section 302 aimed at tackling the growing problem of repeatedly flooded properties by allowing FEMA to prioritize financial assistance to communities working to address issues of homes that have flooded more than once. This modest step could help FEMA target scarce federal mitigation dollars to the communities with the most flooded properties that are being proactive to reduce risk.

However, absent from H.R.3167 are key provisions that Pew believes critical to NFIP reform.

Protection of taxpayer and policyholder dollars through targeted attention and assistance to repeatedly flooded areas. Repeatedly flooded properties have historically represented just one percent of NFIP policies but have accounted for roughly 20-30 percent of claims.ⁱⁱⁱ In the 115th Congress, the House included a Pew supported provision in H.R. 2874 aimed at reducing repeated losses to homeowners and renters while improving community planning for flooding. This language would require communities with 50 or more repeatedly flooded properties to put plans in place to improve floodplain management and mitigation to curb the flooding of and growth in number of these properties.

A nationwide requirement for flood risk disclosure to potential buyers and renters. There is currently a patchwork of state laws in place throughout the nation with some states requiring disclosure of flood risk and others with no requirements at all. This leaves consumers at risk when looking to purchase a home or sign a rental agreement. Pew supports a proposal also included in H.R. 2874 that would allow states and localities participating in the NFIP up to five years to adopt flood disclosure policies meeting a federal minimum. We recognize that H.R. 3167 does allow for FEMA to share information about a property's previous NFIP claims with a homeowner or a buyer already under contract, but this provision will likely affect only a very small number of consumers – those involved in NFIP-insured property transactions and those who have the knowledge to inquire to request this information. Without including a broad flood risk disclosure requirement, Congress misses an opportunity to lower future flood losses and disaster costs and fails to provide the crucial information that consumers need to make informed decisions about key investments.

Additional improvements to the NFIP to assure that FEMA policies and rates more accurately reflect and communicate risk. As Congress addresses important issues regarding rates and premium affordability, it must take care to assure that artificially low insurance rates do not create a moral hazard, encouraging risky development in flood-prone areas and undermining incentives for mitigation. As the GAO has noted,^{iv} this sort of reform could “reduce fiscal exposure to the federal government and promote flood risk resilience... [and] incentivize mitigation measures that would reduce flood risk.” We are hopeful that FEMA efforts now underway to modernize the rate-setting system will provide fairness, transparency, and a better reflection of flood risk.

Limiting future costs and the growth of risk. The major storms of recent years and the staggering and still growing costs of U.S. flood damage tell us that the NFIP has not yet achieved its initial and primary objective of improved floodplain management. In too many instances, new construction of homes and businesses is taking place without adequate regard to current and future flood risks. To assure that the structures being put in place today do not become the flood-damaged building stock of tomorrow, we ask Congress to severely limit the promise of future subsidies to new construction.

Pew applauds the Financial Services Committee for its work to reauthorize and reform the NFIP, and looks forward to continued discussions with Members of the House of Representatives to ensure these additional provisions, that would shore up the fiscal solvency of the program and reduce flooding impacts to the 22,000 communities around the country that participate in the NFIP, are considered when the bill is taken up on the House floor.

Please feel free to reach out to me at llightbody@pewtrusts.org or Velma Smith, government relations officer, at vsmith@pewtrusts.org to discuss these priorities in more specificity or with any questions you might have.

Sincerely,



Laura Lightbody
Project Director, Flood-Prepared Communities
The Pew Charitable Trusts

ⁱ Federal Emergency Management Agency, “Watermark First Quarter 2019,” April 9, 2019, <https://www.fema.gov/media-library-data/1554827313159-b4a0a3b6bf76a4fd1f046761e8c4fd00/FIMAWatermarkFY19Q11.6.pdf>

ⁱⁱ U.S. Government Accountability Office, “GAO High Risk List: National Flood Insurance Program,” 2017, https://www.gao.gov/highrisk/national_flood_insurance/why_did_study

ⁱⁱⁱ Federal Emergency Management Agency, “Severe Repetitive Loss Property Locations in FEMA Region IV and VI,” last updated May 1, 2014, <http://www.fema.gov/media-library/assets/documents/16114>

^{iv} U.S. Government Accountability Office, “Flood Insurance: Comprehensive Reform Could Improve Solvency and Enhance Resilience,” April 27, 2017, <https://www.gao.gov/products/GAO-17-425>