

Association of State Floodplain Managers • Consumer Mortgage Coalition
National Association of Realtors • R Street Institute • Enterprise Community Partners
The Pew Charitable Trusts • American Rivers • Natural Resources Defense Council
The Nature Conservancy • Union of Concerned Scientists

May 17, 2018

The Honorable Mike Crapo
Chairman
Senate Committee on Banking,
Housing and Urban Affairs
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
Senate Committee on Banking,
Housing and Urban Affairs
Washington, D.C. 20510

The Honorable Jeb Hensarling
Chairman
House Financial Services Committee
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
House Financial Services Committee
Washington, D.C. 20515

The Honorable Bill Shuster
Chairman
House Transportation and
Infrastructure Committee
Washington, D.C. 20515

The Honorable Peter DeFazio
Ranking Member
House Transportation and
Infrastructure Committee
Washington, D.C. 20515

Dear Senators Crapo and Brown, and Representatives Hensarling, Waters, Shuster, and DeFazio:

We, the undersigned groups – representing professional floodplain managers, taxpayer advocates, housing and consumer interests, real estate professionals, and science and environmental organizations – support inclusion of S. 2862 “Promoting Flood Risk Mitigation Act” and companion, H.R. 5846, as part of a long-term reauthorization and reform measure for the National Flood Insurance Program (NFIP). This legislation, co-sponsored by Senators Brian Schatz (D-HI) and Tim Scott (R-SC) in the Senate, and Congressmen Earl Blumenauer (D-OR), Mark Sanford (R-SC), Peter DeFazio (D-OR), and Sean Duffy (R-WI) in the House, would direct the Government Accountability Office (GAO) to conduct a comprehensive evaluation of the Federal Emergency Management Agency’s current practices in assisting states and local communities with voluntary buyouts of properties at high risk of flooding, and repetitively flood-damaged properties. The bill would also require GAO to make recommendations for improving the efficiency and effectiveness of such practices in reducing the risk of flooding by providing more families the option to move out of harm’s way. Reducing the nation’s flood risk will help ease the financial burden on the NFIP of repeatedly paying to repair and rebuild at-risk properties.

Improving the efficiency and efficacy of buyout practices would mitigate the effects and costs of increasing flood disasters, reduce the deficit faced by the NFIP, and lessen the disruption of flooding to the lives of homeowners. We ask you to support this commonsense, bi-partisan effort to reduce our nation’s flood risk, and we look forward to working with Congress as it looks to reform the NFIP.

Sincerely,

- Association of State Floodplain Managers
- Consumer Mortgage Coalition
- National Association of Realtors

- R Street Institute
- Enterprise Community Partners
- The Pew Charitable Trusts
- American Rivers
- Natural Resources Defense Council
- The Nature Conservancy
- Union of Concerned Scientists

cc: Senate Leadership, Senate Banking Committee Members, House Leadership, House Financial Services Committee, House Transportation and Infrastructure Committee

SUPPORT S. 2862 AND H.R. 5846 TO STUDY MORE EFFECTIVE DISASTER RESPONSE

Problem: The National Flood Insurance Program is on an unsustainable pathway, burdened by repeatedly-flooded properties.

Originally created to ease the federal government's financial burden of responding to flood disasters,¹ the National Flood Insurance Program (NFIP) has become unsustainable as currently structured. According to the Congressional Budget Office, the program is expected to pay out more in damage claims than the program receives in premiums.² Taxpayers will have to backstop the NFIP's growing debt.³

Repeatedly-flooded properties disproportionately add to the NFIP's financial troubles. In the Gulf Coast States affected by Hurricanes Harvey, Irma, and Nate, repeatedly flooded properties represent only 1 percent of all NFIP policies, but are responsible for 25-30 percent of all damage claims.⁴

Nationally, more than 30,000 Severe Repetitive Loss Properties⁵ (SRLPs), which are the most flood-prone properties covered by the program, represent 0.6 percent of NFIP policies, but 9.6 percent of total payouts.⁶ Between 1978 and 2015, the flood insurance program paid \$5.5 billion to rebuild these properties an average of 5 times, and some as many as 40 times.⁷ Forty-four percent of these 30,000+ properties received insurance claim payouts that cumulatively exceeded the value of the property, clearly showing the cost-effectiveness of purchasing these homes, rather than continuing to rebuild them.⁸

As such, improving existing voluntary buyout programs could help to mitigate properties that repeatedly flood and have been repaired at great cost to the NFIP. Providing more homeowners the option to relocate to higher ground, rather than paying them to repeatedly rebuild in place, could provide a more cost-effective and sustainable solution.

However, current efforts to purchase repeatedly flooded properties from willing homeowners can take as long as five years to complete. This time consuming process likely deters people from seeking assistance to relocate and leaves people living in harm's way, where the NFIP continues paying to rebuild their homes with each new flooding event.

¹ 42 U.S.C § 4001.

² Congressional Budget Office, *The National Flood Insurance Program: Financial Soundness and Affordability*, September 1, 2017. Available at: <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53028-nfipreport2.pdf>

³ Gloria Gonzalez, "Trump signs bill forgiving \$16 billion in NFIP debt," *Business Insurance* (Oct. 27, 2017) available at <http://www.businessinsurance.com/article/20171027/NEWS06/912316843/Trump-signs-disaster-relief-bill-forgiving-16-billion-dollars-NFIP-debt>.

⁴ FEMA, *Severe Repetitive Loss Property Locations in FEMA Region IV and VI*. Available at <https://www.fema.gov/media-library/assets/documents/16114>.

⁵ A "severe repetitive loss property" is one that has had 1) four or more flood insurance claim payments that each exceeded \$5,000, with at least two of those payments occurring within a 10-year period; or 2) two or more flood insurance claims payments that together exceeded the value of the property. 42 USC Sec.4104c(h)(3).

⁶ Federal Emergency Management Agency, *Severe Repetitive Loss Property Data, 1978–2015*, acquired June 7, 2016, by the Natural Resources Defense Council through a Freedom of Information Act request submitted June 20, 2014.

⁷ *Ibid.*

⁸ *Ibid.*

Proposal: The Bi-Paritsan Bills direct GAO to study how to improve FEMA’s existing buyout programs, including the possible benefits of offering more assistance for voluntary buyouts.

Per S.2862 and H.R. 5846, “Promoting Flood Risk Mitigation Act,” the Government Accountability Office (GAO) is directed to assess FEMA’s current buyout practices, identify constraints, and recommend ways to make the existing efforts to purchase flood-prone homes more widely available, timely, and effective. Additionally, under this proposal, GAO would analyze the feasibility of establishing a pilot program under the NFIP that helps states and municipalities expedite voluntary buyouts. Under the pilot program concept, a low- or moderate-income owner of a repeatedly flooded or high-risk home could voluntarily commit to a buyout in the event that the property is substantially damaged in a future flood disaster. This voluntary pre-flood agreement would provide low-income, high-risk homeowners with safer options and lower taxpayer burdens by removing the riskiest properties from the program. GAO would evaluate the benefits and costs of such a program to assess the possible long-term financial implications for the NFIP and taxpayers. Finally, the GAO would recommend how to balance the key priorities of fostering long-term solvency, assisting financially vulnerable individuals who cannot otherwise afford to move, preserving state and local autonomy, and encouraging more appropriate uses of flood-prone lands.

These bills are endorsed by professional floodplain managers, taxpayer advocates, housing and consumer interests, real estate professionals, and science and environmental organizations:

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