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NACO: Urge Your U.S. House Members to Vote "YES" On the Homeowner Flood Insurance Affordability Act of 2014, H.R. 3370.

The U.S. House of Representatives is poised to begin debate this week on the Homeowner Flood Insurance Affordability Act of 2014 (H.R. 3370, as amended). Please urge your House Member to vote “yes” on the measure.

H.R. 3370 was originally introduced as a companion bill to the Senate measure (S. 1926)—also known as the Homeowner Flood Insurance Affordability Act of 2014. However, the original legislative text has been replaced with completely new language. The amended bill will be considered under a procedure that will require a 2/3 majority vote to pass and does not allow for any amendments.

H.R. 3370 (as amended) contains several provisions that would address county concerns::

Reinstates Grandfathering: The House bill would permanently repeal Biggert-Waters’ phase-out of grandfathered policies and thus would allow grandfathering of policies to continue. This means that post-FIRM properties built to code at the time of construction may have the ability to grandfather into a lower premium.

Removes Sales Trigger: The House bill would discontinue the practice of fully actualizing rates at the point of sale, meaning the sales “trigger” is removed; this would ensure premium insurance rate certainty at the point of sale.

Retroactively Refunds Policyholders: The House bill would retroactively refund some Pre-FIRM policyholders if they paid a higher premium under Biggert-Waters.

Allows for Annual Surcharge: The House bill would institute a \$25 annual surcharge for all NFIP primary home policy holders and a \$250 annual surcharge on all second homes and businesses. All revenue from these surcharges go toward the NFIP reserve fund, established to meet the future obligations of the NFIP.

Requires Affordability Study and Provides Additional Funding for the Study: The House bill would increase funding for FEMA to complete an affordability study from \$750,000 (under Biggert-Waters) to \$3 million. The measure would also reaffirm that the study be completed in two years.

Background Information and Why This Issue Matters to Counties

The purpose of the Biggert-Waters Act of 2012 (BW-12) was to make FEMA’s National Flood Insurance Program (NFIP), which faced a deficit of \$24 billion, solvent. However, BW-12 resulted in some unintended consequences for local governments, residents and businesses.

A number of the nation’s 3,069 counties, both coastal and inland, have stated that their homeowners and business are facing drastically increasing annual NFIP flood insurance premiums due to BW-

12's phase-outs of subsidized premium rates. According to the Government Accountability Office, properties in 2,930 counties had subsidized policies as of June, 2012.

Since selling properties with high annual insurance premiums is unlikely, people could walk away from existing mortgages, impacting both local economies and housing markets. As more homes become vacant, counties' property values are in turn impacted.

As the Federal Emergency Management Agency (FEMA), which oversees the NFIP program, continues to update its Flood Insurance Rate Maps (FIRMs), more low-lying areas may begin to face drastic premium rate increases in the future.

by Hadi Sedigh on 2/25/2014 4:45 PM

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