

CRS Report for Congress

The Flood Insurance Reform and Modernization Act of 2007: A Summary of Key Provisions

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Summary

In 1968, Congress established the National Flood Insurance Program (NFIP) in response to severe flooding following a series of hurricanes in 1963 and 1964, and Hurricane Betsy in 1965. The key policy objectives of the NFIP were threefold: (1) reduce the nation's flood risk through floodplain management; (2) improve flood hazard data and risk assessment through mapping the nation's floodplains; and (3) make affordable flood insurance widely available in communities that adopt and enforce measures to make future construction safer from flooding. Today, the NFIP reportedly saves taxpayers over \$1 billion annually in flood losses that, in the absence of the program, would otherwise have been paid by taxpayers. Fiscally, the program had been self-supporting from the mid-1980s until the 2005 hurricanes. These storms exposed serious weaknesses in the NFIP that Congress is addressing in an effort to return the program to financial soundness.

In the aftermath of the 2005 hurricanes, the NFIP faces unprecedented financial and regulatory strains. Hurricanes Katrina, Rita, and Wilma resulted in \$19.28 billion in NFIP-insured losses, as of December 31, 2007. The program had to borrow \$17.535 billion from the U.S. Treasury in order to pay claims and expenses after Katrina. Those concerned about program challenges in the wake of the 2005 storms cite the increasing need to borrow from the U.S. Treasury, the need to put the NFIP on sounder financial footing, substantial premium discounts or cross-subsidies among classes of policyholders, outdated flood insurance rate maps, allegations of uneven compliance with mandatory purchase requirements, and questions as to the performance and efficiency of private insurers operating under the NFIP's Write Your Own program.

Policymakers are now examining ways to strengthen the NFIP. On July 19, 2007, Representative Maxine Waters introduced H.R. 3121 to "restore the financial solvency of the national flood insurance program" and other purposes. Chairman Barney Frank had introduced H.R. 1682, an earlier version of H.R. 3121, on March 26, 2007. H.R. 3121 would make the program satisfy traditional criteria for actuarial soundness by phasing out discounted premiums. H.R. 3121 would also: (1) allow the Federal Emergency Management Agency (FEMA) to increase flood policy rates by 15% a year, up from 10%; (2) increase the program's borrowing authority to \$21.5 billion from \$20.8 billion; (3) raise civil penalties on federally regulated lenders who fail to enforce mandatory purchase of flood insurance for mortgage holders; (4) increase program participation incentives; (5) add coverage for wind as well as water damage; and (6) encourage the revisions to flood maps. The bill passed the full House on September 27, 2007. On November 1, 2007, Senator Christopher Dodd introduced S. 2284, a flood insurance reform bill designed to increase the amount of premiums collected reduce the cost of expected claims under the NFIP. S. 2284 would also forgive the program's outstanding debt to the Treasury. Some stakeholder groups have expressed concerns about making abrupt changes to the NFIP, particularly phasing out the subsidized premiums. They point to a need for flood insurance reform, but say changes should be made in the broader context of program reauthorization. The NFIP expires on September 30, 2008.

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The Flood Insurance Reform and Modernization Act of 2007: A Summary of Key Provisions

Background

In 1968, Congress established the National Flood Insurance Program (NFIP) in response to rising flood losses and as an alternative to ad hoc federal disaster assistance. The NFIP's insurance operation was self-supporting from the mid-1980s until the 2005 hurricane season when Hurricanes Katrina, Rita, and Wilma exposed serious flaws in the program. The 2005 Gulf Coast hurricanes were catastrophic disasters that required approximately \$110 billion in federal disaster relief, including an estimated \$19.28 billion in claims payouts under the NFIP.¹ The program now faces unprecedented financial and regulatory challenges.

Congress is concerned about the financial challenges facing the NFIP. An important aspect of the financial challenges facing the program involves the rebuilding of the Gulf Coast region and the adequacy of the NFIP to meet the future commercial/multifamily real estate mortgage financial needs of all other communities. Without federal flood insurance, for example, lenders will not be able to readily sell mortgages in coastal areas and other regions prone to flooding. Without a reliable and uninterrupted source of affordable flood insurance, mortgage credit (and home ownership) would be more expensive.

The NFIP's financial status has forced policymakers to focus on the strengths and weaknesses of the NFIP in managing and financing the nation's flood risk. Those concerned about program weaknesses typically cite the increasing need to borrow from the U.S. Treasury, the need to put the NFIP on sounder financial footing, substantial premium cross-subsidies among classes of policyholders, outdated flood insurance rate maps, allegations of uneven compliance with mandatory purchase requirements, and questions as to the performance and efficiency of the Write Your Own program.

Legislative efforts are now underway in Congress to reform the NFIP. On March 26, 2007, Representative Barney Frank introduced H.R. 1682, the Flood Insurance Reform and Modernization Act of 2007, in order to "restore the financial solvency of the national flood insurance program" and other purposes. On July 19, 2007, Representative Maxine Waters introduced H.R. 3121 — a bill that is

¹ Testimony of Donald E. Powell, Federal Coordinator, Gulf Coast Rebuilding, U.S. Department of Homeland Security before the Committee on Senate Homeland Security and Governmental Affairs, May 24, 2007.

substantially similar to H.R. 1682. H.R. 3121 added two new sections to allow for the purchase of optional insurance that would cover flood and windstorm losses (Section 7), and to extend the NFIP five years through September 30, 2013 (Section 27). Section 4 of the bill was modified to reflect minor changes of the phase-in of actuarial rates beginning on January 1, 2011. On November 1, 2007, Senator Dodd introduced S. 2284, a flood insurance reform bill designed to increase the amount of premiums collected and reduce the cost of expected claims. S. 2284 would also forgive the program's outstanding debt to the Treasury.

Some stakeholder groups, like mortgage lenders and real estate developers, point to a need to reform the nation's flood insurance program, but insist that radical changes should not be made in reaction to the Katrina disaster. Their main concern relates to making abrupt changes to the NFIP without full knowledge of potential unintended consequences, which they maintain may include possible increases in the cost of affordable rental housing, occupancy costs for businesses, delinquencies and foreclosures, or reduced property values. Others observe that these issues and other implications of flood insurance reform should be examined in the 110th Congress as some Members debate the broader issues surrounding a reauthorization of the NFIP before program authority expires on September 30, 2008.

Impact of 2005 Hurricanes on the NFIP

The number of claims and severity of flood losses from the 2005 hurricane season was unprecedented in the history of the NFIP. The Federal Emergency Management Agency (FEMA) handled 241,000 claims and has paid out approximately \$16.3 billion thus far on flood losses stemming from the 2005 hurricane season. FEMA anticipates that total payouts for the 2005 hurricanes will be approximately \$20.7 billion. As of December 31, 2007, the NFIP had borrowed \$17.535 billion from the Treasury to pay for Hurricane Katrina claims and for the interest payments due on that borrowing.

In Hurricane Katrina's aftermath, policymakers have expressed broad concerns about the financial condition of the NFIP, the potential for future catastrophic losses, and the program's ability to meet its financial obligations to the Treasury and to policyholders.

In an attempt to protect the NFIP's integrity and ensure that FEMA has the financial resources to cover its existing commitments, immediately after the 2005 hurricanes, Congress passed and the President signed into law legislation to increase the NFIP's borrowing authority to allow the agency to continue to pay flood insurance claims: first to \$3.5 billion on September 20, 2005;² to \$18.5 billion on November 21, 2005;³ and finally to \$20.775 billion on March 23, 2006.⁴

² P.L. 109-65; 110 Stat. 1998.

³ P.L. 109-106; 119 Stat. 2288.

⁴ P.L. 109-208; 120 Stat. 317.

Under current law, FEMA must repay any borrowed funds (with interest) as it collects premiums. FEMA is unlikely to repay the funds borrowed to pay 2005 hurricane-related claims within the next 10 years.⁵ Even if FEMA increased flood insurance rates up to the maximum amount allowed by law (10% per year), the program would still not have sufficient funds to cover future obligations for policyholder claims, operating expenses, and interest on debt stemming from the 2005 hurricane season.⁶ During congressional hearings on June 12, 2007, before the House Financial Services Committee, Subcommittee on Housing and Community Opportunity, Edward L. Connor, Deputy Assistant Administrator for Insurance with FEMA, suggested that Congress should consider the forgiveness of NFIP's Treasury borrowing. Supporters of debt-forgiveness point to the avoidance of billions of dollars in flood losses that would otherwise have been paid by the Treasury and taxpayers. Today, the NFIP reportedly saves taxpayers over \$1 billion annually in flood losses that, in the absence of the program, would otherwise have been paid by taxpayers. Debt forgiveness could, however, be judged an explicit subsidy from general taxpayer funds, with federal budgetary consequences. S. 2284, introduced by Senator Christopher Dodd in the 110th Congress, would forgive the NFIP debt to the Treasury.

Recognizing the unprecedented financial and regulatory challenges facing the NFIP, and the exposure of the federal government to future claims from another catastrophic loss year, many insurance market analysts and policymakers appear to agree that this 39-year-old program is in need of an overhaul. Those concerned about program weaknesses cite:

- increased need to borrow from the U.S. Treasury;
- the need for the program to bring in sufficient premiums to cover the federal outlays of funds used to pay claims;
- substantial premium cross-subsidies among classes of policyholders;
- outdated flood maps that will form the basis for making decisions about where and how to rebuild the Gulf Coast, and the need to modernize them to more accurately reflect flood risk nationwide;
- costly impact of repetitive loss properties;
- allegations of uneven compliance with mandatory flood insurance purchase requirements when the property is located in federally designated special flood hazard areas (SFHA);

⁵ See Letter from Donald B. Marron, Acting Director of Congressional Budget Office, to Honorable Judd Gregg, Chairman, Committee on the Budget, March 31, 2006, located at [<http://www.cbo.gov/ftpdocs/72xx/doc7233/05-31-NFIPLetterGregg.pdf>], visited July 25, 2007.

⁶ Ibid.

- inadequate management and oversight of private insurance companies (Write Your Own insurers) that write insurance policies and adjust claims for the NFIP, vendors that supply services to the program;
- inadequate education, training, and technical assistance for private insurance agents and adjusters; and
- federal government long-term exposure to potential changes in weather-related risk, which could have significant implications for the nation's growing fiscal imbalance.

Summary of H.R. 3121

Appendix 1 provides a summary of key provisions of H.R. 3121, the Flood Insurance Reform and Modernization Act of 2007. This bill is substantially similar to H.R. 1682, introduced by Chairman Barney Frank in the 110th Congress, and H.R. 4973, introduced by Representative Richard Baker in the 109th Congress. Introduced by Representative Maxine Waters on July 19, 2007, and cosponsored by Chairman Frank and other Members, H.R. 3121 would modify the NFIP to bring more consumers into the system and gradually phase out premium subsidies currently available for structures built prior to the mapping and implementation of NFIP floodplain management requirements — the so-called Pre-Flood Insurance Rate Maps (Pre-FIRM) structures. Pre-FIRM buildings pay heavily discounted rates on the first \$35,000 of their structure's insured value, and full risk-based premium rates for the remaining insured value.

H.R. 3121 would also increase the NFIP's borrowing authority from the U.S. Treasury from \$20.775 billion to \$21.5 billion to cover claims and expenses and increase the dollar limits on the amounts of coverage available for residential property, from \$250,000 (structure) and \$100,000 (contents) to \$335,000 (structure) and \$135,000 (contents) for any single-family dwelling, and from \$500,000 to \$670,000 each for structures and related contents of a nonresidential property. The bill does not address NFIP debt forgiveness.

H.R. 3121 includes provisions aimed at moving the program to actuarial rates for certain properties starting on January 1, 2011, a change expected to generate \$335 million a year in additional revenue. The bill also would update the nation's flood maps and elevation standards. FEMA would be required to phase in actuarially sound premium rates for commercial and non-primary residences, such as secondary and vacation homes, and create new categories of optional coverage, such as business interruption coverage, necessary increases in living expenses, basement improvements, and replacement cost of contents. FEMA would also be required, for the first time, to assess and map the nation's 500-year floodplain and areas that would

be flooded if a dam or levee failed.⁷ The bill would authorize the appropriation of \$400 million a year over the 2008-2013 period for updating flood maps.⁸

H.R. 3121 would increase enforcement tools made available to bank regulators at both the federal and state levels. Lenders would face higher penalties for noncompliance with the NFIP's mandatory flood insurance purchase requirement. The current level of \$350 per violation would increase to \$2,000 per violation, with a \$1 million cap per institution on penalties in any given year. The \$1 million cap, however, would not apply to institutions for a calendar year if in any three of the last five calendar years the institution was assessed a penalty of at least \$1 million. In addition, lenders would be required to notify borrowers of requirements that flood insurance is available to all homeowners, and not just to those in the 100-year floodplain, as part of the Real Estate Settlement Procedures Act (RESPA) requirements.

The bill would instruct FEMA to: (1) establish an appeals process; (2) implement specified minimum training and education standards for insurance agents selling flood insurance; (3) report to Congress regarding implementation of each provision of the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004;⁹ (4) identify each regulation, order, notice, and other material issued by FEMA that implements the act; and (5) create a new notice provision to ensure that individuals who purchased homes in areas of elevated flood risk are made aware of the risk and given an opportunity to purchase flood insurance.

On July 26, 2007, the House Financial Services Committee approved H.R. 3121. Section 7 of the bill would, for the first, allow for the purchase of optional insurance coverage for wind as well as water damage and extend the NFIP five years through September 30, 2013. Currently, NFIP offers insurance for losses from flood only.

During the mark-up to H.R. 3121, several amendments were offered and approved. Representative Richard Baker's amendment would delay coverage for wind damage until June 30, 2008. Representative Randy Neugebauer's amendment would require a FEMA to undertake study on the inclusion of nationally recognized building codes in flood plain management criteria. Representative Ruben Hinojose's amendment would require a study of the economic effects of charging actuarially based premium rates for pre-firm structures. Representative Ron Klein's amendment would update flood plain maps. Representative Emanuel Cleaver's amendment would require the completion of the 100-year flood plain map update by 2010 and not be delayed by work on a 500-year flood plain study. He also had an amendment to require FEMA to provide more education about flood insurance program.

⁷ The areas downstream of structural flood control measures heretofore were not considered in the 100-year floodplain. As a result, residents did not have to comply with the mandatory purchase requirement under the NFIP.

⁸ See Archived CRS Report RL33264, *FEMA's Flood Hazard Map Modernization Initiative*, by Wayne A. Morrissey.

⁹ P.L. 108-264; 118 Stat. 712. For a summary of the law, see, CRS Report RL32972, *Federal Flood Insurance: The Repetitive Loss Problem*, by Rawle O. King

The Government Accountability Office (GAO) would be required to conduct a study on expanding mandatory flood insurance purchase requirements on non-federal mortgages and properties located in flood zones protected by dams or levees. In addition, the bill would direct FEMA to report annually to Congress on the financial status of the NFIP.

Issues Concerning H.R. 3121

H.R. 3121 does include several provisions that may be of concern to private insurers, the real estate industry, mortgage lenders, and the Bush Administration. Some property owners may drop or reduce their flood insurance coverage because of higher premiums. Should this happen, Congress might face the question of appropriating more funds for disaster relief in the event of another catastrophic flood.

The real estate industry is generally concerned about efforts to expand the NFIP's mandatory purchase requirement to include low-risk areas (500-year floodplains or regions with a 0.2% chance of flooding) located in areas downstream of dams and levees. Insurers are concerned about provisions that call for an extension of the deadline for filing for proof-of-loss for up to 180 days following a disaster, as well as the proposed prohibition of NFIP denial of claims solely for failing to meet the deadline. Insurers also have expressed concern about applying changes in the bill retroactively to claims dating from Hurricane Isabel in 2003. They are also concerned about the broadening of the phase-out of premium subsidies applicable to primary residences when they are sold.

Mortgage lenders are concerned about the lack of a "safe harbor" for "technical noncompliance" and "unintentional clerical error." They have also expressed concerns about expanding the mandatory purchase requirement to state-chartered institutions not insured by the Federal Deposit Insurance Corporation (FDIC), requiring mortgage companies to escrow funds for hazard insurance, and requiring lending institutions to notify homeowners about residential risks in the 500-year floodplain.

Critics of expanding the scope of the NFIP to cover wind loss in addition to flood loss, insist the NFIP's present \$17.5 billion deficit would increase. A July 10, 2007 study by Towers Perrin, on behalf of the American Insurance Association (AIA), for example, indicated that depending on the extent to which the expanded NFIP replaces private insurers, the program deficits from wind damages could be \$100 to \$200 billion. There is no consensus as to the impact of expanding the NFIP to include wind coverage. Supporters of the expansion say there will be no federal subsidies for the wind aspect of the legislation. Also, the home or business owner in a flood plain would have to purchase flood insurance coverage to obtain the wind coverage; wind coverage will not be sold separately.

Finally, while the Bush Administration has expressed support for flood insurance reform legislation, a "Statement of Administration Policy" released on June 27, 2006, raised concerns over provisions in similar legislation introduced in the 109th Congress. H.R. 4973 would have added new lines (types) of coverage,

increased the maximum coverage limits, and required FEMA claims adjusters to participate in state-sponsored mediation at the request of a state insurance commissioner.¹⁰ According to Administration officials, the requirement for FEMA claims adjusters to participate in state-sponsored mediation raises constitutional concerns involving separation of powers between the branches of the federal government, and between the states and the federal government.¹¹ The issue of concern is that Congress would be conferring on state officials the authority to subject agents of the federal executive to the authority of a state government entity.

In light of these concerns, some stakeholder groups would rather fold consideration of H.R. 3121 into a broader look at the whole program, which is due for reauthorization in 2008. The real estate industry, for example, wants Congress to “strike a balance between ensuring the long-term fiscal viability of the NFIP and avoiding changes that may result in market inequities and housing affordability problems.”¹²

Real estate professionals and local public officials have raised concerns about FEMA’s map modernization and flood elevation standards, new notification requirements, and the elimination of subsidies for non-residential properties and non-primary residences. In response to post-Katrina FEMA maps and elevation standards for building or reconstruction, for example, some local community officials along the Gulf Coast have complained about the cost of compliance with FEMA’s new flood mapping and elevation standards. These community officials want waivers on the new standards, and in the absence of such a waiver might drop out of the NFIP.

In addition, the \$30,000 Increased Cost of Compliance (ICC) benefit under the NFIP, which is used to pay the cost of complying with new land use or construction ordinances designed to reduce future flood losses, might not be sufficient. Some consumer advocates want to increase the ICC benefit to \$50,000 — at, of course, higher claims costs to the program. The withdrawal of communities in flood-prone areas from the NFIP could result in higher uninsured losses and the unintended consequence of higher federal expenditures for disaster assistance.

¹⁰ *Executive Office of the President, Office of Management and Budget*, “Statement of Administration Policy: H.R. 4973 — Flood Insurance Reform and Modernization Act of 2006,” [<http://www.whitehouse.gov/omb/legislative/sap/109-2/hr4973sap-h.pdf>], visited on June 21, 2007.

¹¹ See Testimony of Edward L. Connor, Deputy Assistant Administrator for Insurance, Mitigation Directorate, Federal Emergency Management Agency, Department of Homeland Security, before the House Committee on Financial Services, Subcommittee on Housing and Community Opportunity, June 12, 2007.

¹² See Testimony of Vince Malta on behalf of the National Association of Realtors, before the House Committee on Financial Services, Subcommittee on Housing and Community Opportunity, June 12, 2007.

Appendix 1. Summary of Key Provisions in H.R. 3121

(As Passed the House on September 27, 2007)

Provision	H.R. 3121 (Waters)
Title	Flood Insurance Reform and Modernization Act of 2007
Purpose	To protect the integrity of the NFIP by fully funding existing legal obligations and increasing (1) incentives for homeowners and communities to participate in the program and (2) awareness of both flood risks and the quality of information regarding such risks. (Sec. 2(b))
Program Extension	Would reauthorize the NFIP five years through September 30, 2013.
Premium Rates	
Phase-In of Actuarial Rates for Non-Residential Properties and Non-Primary residences	Would require phase-in of actuarial rates for Pre-FIRM nonresidential (commercial) properties and non-primary residences by increasing the chargeable premium rates 15% once during the 12-month period that begins January 1, 2011, and once every 12 months thereafter. Specifies that the aggregate increase in chargeable premium rates during any 12-month period may not exceed 20% for non-residential properties and 25% for non-primary residences. (Sec. 4)
Annual Limitations on Premium Increases	Would increase from 10% to 15% the allowable average annual chargeable premium rate increase for each risk category during any 12-month period. (Sec. 11)
Recently Purchased Pre-FIRM Properties	Would require phased-in actuarial rates on newly purchased pre-FIRM properties using the same phase-in structure that nonresidential and non-primary homes would be subject to under the legislation. (Sec. 4(a)(4))
Purchase Incentives	
Study of Extending Mandatory Purchase Requirement to Properties Located Behind Levees, Floodwalls, and Flood Control Dams	Would require the Government Accountability Office (GAO) to study the regulatory, financial, and economic feasibility (i.e., costs of home-ownership, actuarial soundness of program, lender compliance) of expanding the standard for mandatory flood insurance purchase requirement to include properties in areas of residual risk that would flood if not for the presence of structural flood control measures such as levees, floodwalls, and dams. (Sec. 3(a)(2))
Mandatory Purchase Requirement for Non-Federal Related Loans	Would require the GAO to conduct a study of Pre-FIRM properties, as well as the impact of amending the Flood Disaster Protection Act of 1973 to extend NFIP's mandatory purchase requirements to properties in special flood hazard areas (SFHA) that are covered by a mortgage loan issued by a non-federally regulated lending institution. (Sec. 3)
Flood Insurance Outreach Grants	Authorizes \$50 million for FEMA to make grants to local governmental agencies for outreach activities designed to encourage and facilitate the purchase of flood insurance. Local governments would use the grants to notify owners and renters about SFHA and the mandatory purchase requirement, educate such owners and renters regarding the flood risk and the benefits and costs of maintaining or acquiring flood insurance. (Sec. 15)

Provision	H.R. 3121 (Waters)
Notification to Tenants of Availability of Contents Insurance	Would require tenants to be notified of the availability of contents insurance and where to obtain coverage. (Sec. 10)
Civil Penalties for Lending Institutions	Would increase the civil penalties on federally regulated lending institutions that do not comply with their mandatory purchase of flood insurance requirement from \$350 to \$2,000 per violation and the annual cap from \$100,000 to \$1,000,000. Would add a “safe harbor” provision to protect mortgage lenders from “technical noncompliance” with flood insurance requirements and “unintended clerical errors” by stating that no penalties may be imposed on lenders who make good faith efforts to comply with the requirements. The \$1 million cap would not apply to regulated lending institutions during a calendar year if, in any three of the five calendar years immediately preceding that calendar year, the institution was assessed a penalty of \$1 million. (Sec. 6)
Notice of Availability of Flood Insurance and Escrow of Flood Insurance Payments in RESPA Good Faith Estimate	Would amend Section 5(b) of the Real Estate Settlement Procedures Act of 1974 (RESPA) to create a new notice provision to ensure that individuals who purchase homes in areas of elevated flood risk (whether or not the property is located in a special flood hazard area) are made aware of the risk and given an opportunity to purchase flood insurance. (Sec. 20)
GAO Study of Methods to Increase Participation of Low-Income Families in the NFIP	Would direct GAO to conduct a study of potential methods, practices, and incentives that would increase the degree to which low-income property owners living in high-risk areas participate in the NFIP. The study would analyze the feasibility of providing coverage to low-income families at discounted rates, the amounts of the discount to make it affordable, and the extent to which low-income families would be affected by expanding the mandatory purchase requirements. The report would be submitted not later than 12 months after the date of enactment. (Sec. 19)
Coverage	
Maximum Coverage Limits	Would increase coverage limits from \$250,000 (structure) and \$100,000 (contents) to \$335,000 (structure) and \$135,000 (contents) for any single-family dwelling and from \$500,000 to \$670,000 for structures and related contents of a nonresidential property. (Sec. 8)
Waiting Period for Effective Date of Policies	Would make coverage immediately effective if a policy is purchased within 30 days of the purchase or transfer of a property. (Sec. 5)
New Lines of Coverage	Would provide optional coverage for: additional living expenses following a flood loss when the residence is unfit to live in, basement improvements (i.e., crawl spaces and other enclosed areas under buildings), business interruption for commercial property, and full replacement cost of the contents of properties. New benefits would be made available only at time of renewal or issuance of a new contract, and only at actuarial rates. (Sec. 9)

Provision	H.R. 3121 (Waters)
Clarification of Replacement Cost Provisions, Forms, and Policy Language	Would require the Administrator of FEMA ^A to: (1) issue regulations to clarify the applicability of replacement cost coverage for contents in the Standard Flood Insurance Policy; (2) revise any regulations, forms, notices, guidance, and publications to more clearly describe the meaning of full cost of repair or replacement under the replacement cost coverage; and (3) revise the language in flood insurance policies regarding rating and coverage, such as classification of buildings, basements, crawl spaces, detached garages, enclosures below elevated buildings, and replacement cost, to make flood policy provisions consistent with language used widely in homeowners policies. (Sec. 24)
Multiple Peril Coverage for Flood and Windstorm Losses	Amends Section 1304 of the National Flood Insurance Act of 1968 to enable the purchase of optional insurance against both flood and windstorm losses. Requires participating communities to adopt adequate criteria for land management and use. Also amends Section 1361 of the 1968 Act to authorize the Administrator to conduct a study and investigation to determine appropriate measures (laws, regulations, and ordinance relating) that could be adopted in windstorm-prone areas with respect to windstorm risks, zoning building codes, building permits, subdivision and other building restrictions for such areas, and windstorm damage prevention. The Administrator shall use the results of the study and investigation to establish comprehensive criteria designed to reduce damages caused by windstorms. Defines a windstorm as any hurricane, tornado, cyclone, typhoon, or other wind event. Provision does not take effect until June 30, 2008. (Sec. 7)
Financial	
Borrowing Authority Limits	Would increase the National Flood Insurance Program (NFIP) Treasury borrowing authority from \$20.775 billion to \$21.5 billion. (Sec. 12(a))
FEMA Report on Repayment of Borrowed Funds	Would require the Administrator of FEMA to submit a report to Congress within six months of enactment, that includes a plan for repaying borrowed funds. (Sec. 12(b))
Annual Report on Financial Status of Program	Would require FEMA to submit an annual report to Congress on the financial status of the program. The report would include information on the current and projected levels of claims, premium receipts, expenses, and borrowing under the program. (Sec. 14(c))
Authorization of Additional FEMA Staff	Would authorize to be appropriated such sums of money as may be necessary to hire additional staff to carry out the responsibilities of the Director pursuant to this act. (Sec. 25)
Mitigation	
Flood Mitigation Assistance (FMA) Program	Would eliminate the limitation on aggregate amount of assistance. Allows for the use of Flood Mitigation Assistance funds to demolish and rebuild damaged property. (Sec. 18)
Mitigation Grants for Individual Repetitive Claims Properties	Would direct FEMA to provide grants to owners of repetitive loss properties in communities that do not participate in the NFIP. (These communities might not participate because they have withdrawn from the program or the community cannot meet the federal requirements for qualifying for FEMA funding.) (Sec. 16)

Provision	H.R. 3121 (Waters)
Extension of Pilot Program for Mitigation of Severe Repetitive Loss Properties	Extends the pilot program for mitigation of severe repetitive loss properties through September 30, 2012. (Sec. 17)
Claims	
FEMA Participation in State Disaster Claims Mediation Programs	<p>Would permit state insurance commissioners to submit a request to the Director of FEMA to have the agency participate in state-sponsored non-binding mediation of catastrophe-related insurance claims that may result in flood damage claims under the NFIP. (Sec. 13(c))</p> <p>Would require the following: (1) all statements made and documents produced during the mediation shall be deemed privileged and confidential settlement negotiations made in anticipation of litigation; (2) participation in the mediation shall not affect or expand the liability or rights or obligations of any party in contract; (3) retention of exclusive jurisdiction in the federal courts; also provides that FEMA not be required to pay additional mediation fees. (Sec. 2(d))</p>
Reiteration of FEMA Responsibility Under the 2004 Reform Act	<p>Under the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004 (P.L. 108-264; 118 Stat. 712), would direct FEMA to establish an appeals process that policyholders can use to resolve decisions of the Administrator relating to claims, proofs of loss, and loss estimates. (Sec. 21(a))</p> <p>Would require the Administrator to continue to work with the insurance industry, state insurance regulators, and other interested parties to implement previously developed minimum training and education standards for all insurance agents who sell flood insurance policies. (Sec. 21(b))</p> <p>Would require the Administrator to submit a report to Congress within six months describing FEMA's implementation of provisions in the Reform Act of 2004. (Sec. 21(c))</p>
Mapping	
Reestablishment of Technical Mapping Advisory Council	Would reestablish the Technical Mapping Advisory Council to provide direction and assistance to the Administrator of FEMA with managing the flood map modernization project and submit an annual report to the Administrator outlining their activities and recommendations. The Council would include representatives from the Army Corps of Engineers, local and regional flood and stormwater agencies, state geographic information coordinators, and flood insurance servicing companies. (Sec. 22(b))
Modernization of Flood Maps and Elevation Standards	Would require the Administrator in consultation with the Technical Mapping Advisory Council to establish an ongoing program to review, update, and maintain flood insurance rate maps. Each map shall include a depiction of the 500-year floodplain, as well as "residual risk" areas behind levees and flood control dams. Updated flood maps would include relevant information on coastal inundation provided by Army Corps of Engineers, storm surge modeling by the National Oceanic and Atmospheric Administration (NOAA), and stream flows, watershed characteristics, and topography provided by the U.S. Geological Survey (USGS). (Sec. 22(a))

Provision	H.R. 3121 (Waters)
	<p>Would require the Administrator to: (1) establish standards to ensure the adequacy and consistency of maps and methods of data collection and analysis; (2) give priority to updating and maintenance of maps of coastal areas affected by Hurricanes Katrina and Rita in order to provide guidance with respect to hurricane recovery efforts; and (3) submit a report to Congress that describes the flood map modernization activities by June 30 of each year.</p> <p>Would require FEMA, when practical, to utilize emerging weather forecasting technologies in flood map evaluation and identification of potential risk areas.</p> <p>After each flood map is updated, FEMA shall, in consultation with the chief executive officer of each community affected, conduct a program to educate the community about the updated flood insurance maps.</p> <p>Would authorize the appropriation of \$400 million for each of fiscal years 2008 through 2013. (Sec. 22(a)(7))</p>
Post-Disaster Flood Elevation Determinations	<p>Would allow the Administrator to issue interim flood elevation requirements for any areas affected by flood-related disaster. Interim elevation determinations would take effect immediately upon issuance and may remain in effect until the Administrator established new flood elevations for such area. (Sec 22(c))</p>
Notification of Map Changes and Appeal of Map Changes and Revised Flood Elevation	<p>Would require the Director of FEMA to notify the chief executive officer of local communities about their right to appeal projected base flood elevation determinations, and the contact information of the person who handles appeals at FEMA. (Sec. 23)</p> <p>Would require that when FEMA proposes a change in flood elevation, the Administrator must notify the chief executive officer of each community affected by the proposed elevation. The Administrator would also be required to publish a notice in the <i>Federal Register</i> and local newspapers, notifying each owner of real property affected by the proposed elevation the status of such property with respect to flood zone and flood insurance requirements under the act, and the process to appeal a flood elevation determination. (Sec. 23)</p>

Source: Congressional Research Service.

Note: ^AThe *Post Katrina Emergency Management Reform Act* (Section 602, P.L. 109-295; 120 Stat. 1394) replaced the position of FEMA Director with that of FEMA Administrator. H.R. 1682 refers to the former office title. This report refers to the title cited in the legislation.