

Section-by-Section

The amendment to H.R. 3370, the Homeowner Flood Insurance Affordability Act of 2014 strikes everything after the enacting clause and inserts new text, as follows:

Section 1. Short Title and Table of Contents. – Short title is the "Homeowner Flood Insurance Affordability Act of 2014".

Section 2. Definitions. – Defines the NFIP and identifies the FEMA Administrator.

Section 3. Repeal of Certain Rate Increases. – Repeals certain BW-12 rate increases for properties sold after BW-12 enactment (July 2012); new policies issued after BW-12 enactment; and, policies that lapsed after BW-12 enactment unless the decision to *permit* a lapse is because the property covered is no longer required to retain such coverage. Repeal is effective "as if it were enacted as part of" BW-12. See, below Section 5 for provisions setting minimum and maximum rate and premium increases for certain policies, including policies on properties sold after BW-12 enactment.

This section also requires FEMA to consult with the WYOs throughout the development of guidance and rate tables necessary to implement the bill and requires FEMA to issue final guidance no more than eight months from enactment. This section provides WYOs with at least 6 months but no more than 8 months after FEMA issues final guidance to *implement the provisions*.

This section also requires that any refunds to policyholders are to be issued directly by FEMA and allows a new purchaser to assume the policy for certain properties upon transfer of title.

Section 4. Restoration of Grandfathered Rates. – Repeals section 207 of BW-12 and restores policyholders' ability to continue to receive "grandfathered" rates for properties remapped to higher rate category. See, below Section 5 for provisions setting minimum and maximum rate and premium increases for all policies, including grandfathered policies.

Section 5. Requirements Regarding Annual Rate Increases. – This section caps maximum average annual RATE increases at 15% (BW-12 had 20% cap); creates a new 5% minimum average annual RATE increase for subsidized and grandfathered properties; caps maximum annual PREMIUM increase at 18% of prior year's premium for all properties not subject to higher, 25% increase for second homes, commercial properties and severe repetitive loss properties.

Section 6. Clarification of Rates for Properties Newly Mapped into Areas with Special Flood Hazards. – Clarifies that newly mapped properties are treated like other subsidized and grandfathered properties. Allows newly mapped properties to enter the NFIP at the preferred risk premium and phase-in to full risk premium subject to the same minimum and maximum rate and premium increases detailed in Section 5.

Section 7. Premium and Reports. – Requires FEMA to report to Congress all “policies with annual premiums that exceed one percent of the total coverage provided by the policy.”

Section 8. Annual Premium Surcharge. – Creates new surcharge of \$25 per primary residence and \$250 per each second home or commercial property to cover “cost” to repeal certain BW-12 rate increases. Surcharge continues until all policyholders are paying full risk premiums. Requires surcharge to be deposited into Reserve Fund created by BW-12.

Section 9. Draft Affordability Framework. – Requires FEMA to submit “Affordability Framework” to Congress no more than eighteen months after FEMA submits “Affordability Study” required by BW-12.

Section 10. Risk Transfer. – Reiterates prior statutory language permitting and encouraging FEMA to purchase reinsurance.

Section 11. Monthly Installment Payment for Premium. – Revises BW-12 provision requiring FEMA to develop mechanism to permit flood insurance premium to be paid in installments. Requires installments be payable “annually or monthly” and that FEMA implement installment payment program within 18-months of enactment.

Section 12. Optional High-Deductible Policies for Residential Properties. – Requires FEMA to offer flood insurance policies with deductibles up to \$10,000 and that policyholders be notified that the policyholder is responsible for “losses to the extent of the deductible selected.”

Section 13. Exclusion of Detached Structures from Mandatory Purchase Requirement. – Exempts detached, nonresidential structures from the NFIA’s mandatory purchase requirement and requires corresponding RESPA statement.

Section 14. Accounting for Flood Mitigation Activities in Estimates of Premium Rates. – Requires that FEMA consider property owner or renter mitigation activities in developing flood rates.

Section 15. Home Improvement Fairness. – Changes the “home improvement” threshold for compliance to 50 percent; up from the 30 percent BW-12.

Section 16. Affordability Study and Report. – Reiterates and expands scope of affordability study required by BW-12 to include review of policyholder options if the premium for a flood policy exceeds 2 percent of the coverage limits provided (e.g., > \$5,000 for \$250,000); the long-term impact of a Catastrophic Savings Account; and, options to modify the policyholder surcharge established in Section 8 based on risk of loss, income or property value. Permits FEMA to spend \$2.5 million on the study (up from \$750,000) and requires FEMA to issue no later than 18 months after enactment.

Section 17. Flood Insurance Map Certification. – Requires FEMA, in coordination with the Technical Mapping Advisory Council, to certify the technical credibility of the flood mapping process.

Section 18. Fund to Reimburse Homeowners for Successful Map Appeals. – Requires FEMA to reimburse property owners for successful map appeals and includes a provision to allow them to be paid for using funds as necessary.

Section 19. Flood Protection Systems. - Prohibits FEMA from considering the level of federal funding or participation in the flood control structure project when *determining the* level of protection that the project provides the community.

Section 20. Quarterly Reports Regarding Reserve Fund Ratio. – Clarifies a quarterly reporting requirement regarding NFIP Reserve Fund transactions.

Section 21. Treatment of Flood-Proofed Residential Basements. – Clarifies that FEMA shall continue to extend exceptions and variances for flood-proofed basements consistent with current regulation.

Section 22. Exemption from Fees for Certain Map Change Request. – Exempts a requestor from having to submit a review or processing fee for a request for a Flood Insurance Rate Map change based on a habitat restoration project that is funded in whole or in part by Federal or State funds. Unlike U.S. Army Corps of Engineers projects, sponsors of habitat restoration projects are required to pay a fee for a map change request resulting from the project. While this fee is oftentimes waived, it requires a lengthy and time consuming process that diverts resources away from the project. This section would treat habitat restoration projects the same as Army Corps projects.

Section 23. Study of Voluntary Community-Based Flood Insurance Options. - Requires FEMA to conduct a study on the viability of offering community-based flood insurance policies.

Section 24. Designation of Flood Insurance Advocate. - Directs FEMA to designate a Flood Insurance Advocate to assure the fair treatment of policy holders under the NFIP and property owners in the mapping of flood hazards, the identification of risks from flood, and the implementation of measures to minimize the risk of flood.

Section 25. Exceptions to Escrow Requirements for Flood Insurance Payments. - Removes the retroactive component of the NFIP escrow requirement in Biggert-Waters. This removes a compliance burden to collect and escrow for flood insurance when other escrows are not required for those loans, such as junior or home equity loans. Some community banks have exited the mortgage business due to certain mandatory escrow rules.

Section 26. Flood Mitigation Methods for Buildings. – Requires FEMA, not later than one year after enactment, to issue guidelines that provide alternative methods of mitigation, other than building elevation, to reduce flood risk to residential buildings, such as row houses, that cannot be elevated due to their structural characteristics.

Section 27. Mapping of Non-Structural Flood Mitigation Features. – Requires FEMA to account for non-structural flood mitigation features, such as forests, marshlands and other natural features, in Flood Insurance Rate Maps.

Section 28. Clear Communications. – Requires the FEMA Administrator clearly communicate full flood risk determinations to individual property owners regardless of whether their premium rates are full actuarial rates.

Section 29. Protection of Small Businesses, Non-Profits, Houses of Worship, and Residences. – Requires FEMA to assess the impact rate increases and/or surcharges will have on: (1) small businesses with less than 100 employees, (2) non-profit entities, (3) houses of worship, and (4) residences with a value equal to or less than 25 percent of the median home value of properties in the State in which the property is located. The section also requires FEMA to develop recommendations on ways to improve affordability no later than 3 months after it determines increased rates and/or surcharges are having a detrimental effect on the policyholder categories listed above.

Section 30. Mapping. – Requires FEMA to notify communities of remapping as well as models used in the mapping process. Members of Congress are also to be notified of proposed flood map changes within the relevant state or congressional district.

Section 31. Disclosure. - Addresses the ability of the NFIP to share its data with the public in accordance with applicable all laws designed to protect consumers' personally identifiable financial information. Providing greater transparency with claims data will help enable private insurers to provide consumers with more flood insurance options.