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Flood Insurance

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Issue Update

May 31, 2019 is the current deadline for reauthorization of the National Flood Insurance program (NFIP). Despite passage of a five year reauthorization/reform measure by the House of Representatives in the last Congress, the Senate did not act on long-term reauthorization and the NFIP has been operating on short-term extensions. Lapses in program authority can cause delayed, and in some instances, cancelled loan closings. ABA advocacy is focused on timely and long-term reauthorization, as well as reforms to address the program's sustainability, affordability and availability, including providing lenders with the tools needed to better serve their customers.

The recurring reauthorization deadlines also highlight the *existing* lack of guidance following the last round of legislative changes by Biggert-Waters and HFIAA. The banking agencies have yet to finalize implementing regulations regarding the acceptance of private flood insurance, leading to confusion. The Interagency Questions and Answers have not been updated since 2011. Neither FEMA nor the banking agencies have updated the Mandatory Purchase of Flood Insurance Guidelines to reflect the last round of legislative changes, despite repeated requests from ABA. Bankers report that examiners are citing violations for matters not covered by the regulations and interagency exam procedures. Banks want to comply but are challenged by unclear rules and supervisory standards. We must urge the Agencies to provide clear guidance on flood insurance compliance.

What We Are Asking

1. Timely Reauthorization. Our top priority is to ensure the NFIP continues with no lapse. We support reauthorization of the program, and are advocating amendments to the program to streamline compliance requirements and simplify the burden on lenders, so that banks can better serve their customers. We are also advocating for clearer standards to make private flood insurance alternatives to the NFIP more readily available and acceptable.
2. Coordinate with FEMA on guidance. In February 2013, FEMA unilaterally rescinded the Mandatory Purchase of Flood Insurance Guidelines (the Guidelines), which was widely relied on by the banking industry (and bank examiners) for comprehensive guidance on flood compliance. ABA has urged the Agencies on multiple occasions to update this invaluable resource, but the Agencies have declined. What steps are the Agencies taking to work with FEMA to provide the industry with updated necessary guidance?
3. Ensure that flood examinations follow published interagency exam procedures and make communication with industry a priority. The banking agencies must either provide clear guidance or stop examining against unclear rules and standards. What is being done to ensure that the banking agencies make their expectations clear and respond to the interpretive questions bankers have?