



NATIONAL
MULTIFAMILY
HOUSING
COUNCIL



NATIONAL FLOOD INSURANCE PROGRAM

NMHC/NAA Viewpoint
Given federal requirements to purchase flood insurance for apartment owners with federally backed mortgages, Congress should support measures that ensure affordable flood insurance is available at all times, in all market conditions for every at-risk rental property.

Floods are dangerous and destructive forces that can damage apartment buildings and disrupt the lives of their residents. Existing law requires apartment properties with federally regulated and insured mortgages in high-risk flood areas to purchase flood insurance. The National Flood Insurance Program (NFIP) is the only coverage option available to the vast majority of apartment firms across the country. The private insurance market has been hesitant to widely expand coverage beyond high-value and less-risky multifamily properties, which makes the NFIP a critical risk management tool for the industry. The NFIP was created in 1968 to ensure flood coverage was available and lessen fiscal pressure on taxpayers from having to cover 100% of disaster relief for flooded areas and shift some of the burden to property owners.

The NFIP was last reauthorized by Congress in 2012 and is set to expire in 2017. The multifamily industry benefited greatly in 2012 when higher NFIP coverage limits were made available to multifamily properties. The maximum NFIP policy coverage limit available for multifamily properties increased from \$250,000 to \$500,000 per building. This increase has been very positive for multifamily borrowers because it makes complying with lender flood insurance requirements easier when securing project financing.

While the program is critical to multifamily operations, it is not without its challenges. The program was financially self-supporting, with insurance premiums covering operating expenses and insurance claims, until 2004. A number of major disasters and hurricanes since then, including Hurricane Katrina and Superstorm Sandy, have caused the NFIP to assume more than \$24 billion in debt. Substantial positive reforms have been made to the program to shore up its finances, but its bleak fiscal outlook remains problematic and opens it up to criticism and potential negative modifications that could be harmful to its future.

FEMA reports that more than 20 percent of flood insurance claims come from properties outside of mapped high-risk flood areas.

NMHC/NAA urge Congress to quickly reauthorize the NFIP and reform it in such a way that it ensures flood coverage continues to be available at all times, in all market conditions for every at-risk rental property. NMHC/NAA believe that reauthorization efforts should include sensible changes that improve the accuracy of the flood maps; increase apartment communities' access to current flood mitigation funding and programs; expand NFIP to include Business Interruption coverage for rental properties; and provide Replacement Cost Value (RCV) instead of Actual Cost Value (ACV) to damaged apartment properties.