



FEMA

W-12030

April 23, 2012

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the
National Flood Insurance Program (NFIP) Servicing Agent


FROM: Dennis Kuhns
Division Director
Risk Insurance

SUBJECT: FEMA's Administrator Requests Reauthorization of the NFIP Prior to
Expiration on May 31, 2012

FEMA Administrator W. Craig Fugate is reaching out to Congressional Leadership and Members to strongly recommend that Congress reauthorize the NFIP for two years. Attached is a copy of Administrator Fugate's letter to the Committee Chairmen and Ranking Members. In addition, FEMA has issued an intergovernmental advisory about the need for reauthorization. Please distribute these documents, as appropriate.

We will continue to keep you informed of the status of NFIP reauthorization.

Attachments:

- Administrator Fugate's April 17, 2012, letter to Congressional Committee Chairmen and Ranking Members
- FEMA Intergovernmental Advisory, April 23, 2012

cc: Vendors, IBHS, FIPNC, Government Technical Representative



FEMA

U.S. Department of Homeland Security
Federal Emergency Management Agency
Intergovernmental Affairs Division
Telephone 202-646-3444

INTERGOVERNMENTAL ADVISORY

April 23, 2012

FEMA's Administrator Requests Reauthorization of the National Flood Insurance Program Prior to Expiration on May 31, 2012

As we approach a potentially active hurricane season, FEMA's Administrator, W. Craig Fugate, is reaching out to Congressional Leadership and Members to strongly recommend Congress reauthorize the National Flood Insurance Program (NFIP) for two years. The NFIP will expire on May 31, 2012.

The NFIP plays a key role in our Nation's efforts to prevent and recover from flood disasters. Reauthorization of the NFIP before it expires on May 31, 2012, is essential to our Nation's efforts to prevent and recover from flood disasters. Floods are the number one natural disaster in the United States in terms of lives lost and property damaged. The NFIP identifies areas of flood risk; it encourages communities to implement measures to mitigate against the risk of flood loss; it provides financial assistance to help individuals recover more rapidly from flooding disasters; and it lessens the financial impact of flood disasters on individuals, businesses, and all levels of government.

In recent years, a series of short-term reauthorizations and temporary suspensions of the NFIP have eroded confidence in the program among stakeholders, including state governments, tribal governments, local communities, individual policyholders, mortgage lenders, and the private insurance industry. In addition to disrupting the program's day-to-day operations, short-term reauthorizations and temporary suspensions create significant uncertainty regarding the federal government's long-term commitment to underwriting and indemnifying flood losses. In the absence of such a commitment, our stakeholders are less likely to make the investments needed to successfully sustain, strengthen, and grow the program — thereby undermining the NFIP's effectiveness and efficiency over time.

A two year re-authorization will send a clear signal to citizens, communities, and private sector partners that the federal government will continue to support our nation's efforts to manage flood risk. If Congress does not re-authorize the NFIP before it expires on May 31, 2012:

- ***The NFIP can issue no new policies, renewed policies, or policy modifications.*** Although policies that were already effective when the NFIP lapses will remain in coverage until their expiration date, the NFIP cannot issue new and renewal NFIP policies, nor can it increase coverage on the existing policies.

- ***Property owners will be unable to complete new mortgage transactions.*** Property owners who would normally be required to purchase flood insurance to fulfill lending requirements will be unable to obtain affordable coverage. The National Association of REALTORS estimates that a lapse in authorization jeopardizes an estimated 1,300 sales each day or about 40,000 mortgage closings per month.
- ***The Disaster Relief Fund will bear additional costs when flood strike.*** Property owners who are unable to obtain flood insurance coverage may seek and be eligible for assistance from the Disaster Relief Fund. Consequently, failure to reauthorize the NFIP will result in transferring a portion of the costs of flood losses that otherwise would have been paid by the NFIP to the taxpayer through the Disaster Relief Fund.
- ***The NFIP may have to halt payment of claims for recent events,*** including Hurricanes Irene and Lee, if a lapse in authorization substantially reduces cash flow into the program from premiums or a significant flood event follows the lapse and drains the remaining, non-renewable funds.

FEMA's mission is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.

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FEMA

April 17, 2012

The Honorable Tim Johnson
Chairman, Senate Committee on
Banking, Housing and Urban Affairs
Washington, D.C. 20510

The Honorable Richard C. Shelby
Ranking Member, Senate Committee on
Banking, Housing and Urban Affairs
Washington, D.C. 20510

The Honorable Spencer Bachus
Chairman, House Committee on
Financial Services
Washington, D.C. 20515

The Honorable Barney Frank
Ranking Member, House Committee on
Financial Services
Washington, D.C. 20515

Dear Chairmen and Ranking Members:

I write to you in my role as the President's principal advisor for all matters relating to emergency management in the United States, and in accordance with the authority vested in me by 6 U.S.C. § 313 (c)(4)(B)(iii) to make recommendations to Congress relating to emergency management.

I strongly recommend that Congress reauthorize the National Flood Insurance Program (NFIP) for two years—through May 31, 2014. Reauthorization of the NFIP before it expires on May 31, 2012, is essential to our Nation's efforts to prevent and recover from flood disasters. Floods continue to be the number one natural disaster in the United States in terms of lives lost and property damaged. The NFIP identifies areas of flood risk; it encourages communities to implement measures to mitigate against the risk of flood loss; it provides financial assistance to help individuals recover rapidly from flooding disasters; and it lessens the financial impact of flood disasters on individuals, businesses, and all levels of government.

In recent years, a series of short-term reauthorizations and temporary suspensions of the NFIP have eroded confidence in the program among citizens and stakeholders, including state governments, tribal governments, local communities, individual policyholders, mortgage lenders, and the private insurance industry. In addition to disrupting the program's day-to-day operations, short-term reauthorizations and temporary suspensions create significant uncertainty regarding the federal government's long-term commitment to underwriting and indemnifying flood losses. In the absence of such a commitment, communities are less likely to make the investments needed to successfully sustain, strengthen, and grow the program — thereby undermining the NFIP's effectiveness and efficiency over time.

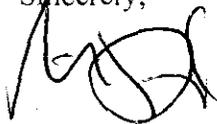
A two year reauthorization will send a clear signal to citizens, communities, and private sector partners that the federal government will continue to support our Nation's efforts to manage flood risk. If Congress does not reauthorize the NFIP before it expires in May:

- ***The NFIP can issue no new policies, renewed policies, or policy modifications.*** Although policies that were already effective when the NFIP lapses will remain effective until their expiration date, the NFIP cannot issue or renew policies, nor can it increase coverage on the existing policies.
- ***Property owners will be unable to complete new mortgage transactions.*** Property owners who would normally be required to purchase flood insurance to fulfill lending requirements will be unable to obtain affordable coverage. The National Association of REALTORS estimates that a lapse in authorization jeopardizes an estimated 1,300 sales each day or about 40,000 mortgage closings per month.
- ***The Disaster Relief Fund will bear additional costs when floods strike.*** Property owners who are unable to obtain flood insurance coverage may seek and be eligible for assistance from the Disaster Relief Fund. Consequently, failure to reauthorize the NFIP will result in transferring a portion of the costs of flood losses that otherwise would have been paid by the NFIP to taxpayers through the Disaster Relief Fund.
- ***The NFIP may have to halt payment of claims for recent events,*** including Hurricanes Irene and Lee, if a lapse in authorization substantially reduces cash flow into the program from premiums or a significant flood event follows the lapse and drains the remaining, non-renewable funds.

Given the adverse and avoidable consequences of short-term reauthorizations and temporary suspensions of the NFIP, I strongly recommend that Congress reauthorize the NFIP for two years before May 31, 2012.

The Office of Management and Budget advises that there is no objection to the transmittal of this letter from the standpoint of the Administration's program.

Sincerely,



W. Craig Fugate
Administrator

cc: The Honorable Janet Napolitano
Mr. John O. Brennan, Deputy National Security Advisor for Homeland Security and Counterterrorism, and Assistant to the President