



1050 17th Street N.W
Suite 1150
Washington, DC 20036
202.525.5717

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VOTE ALERT

Vote NO on Emergency Disaster Supplemental Without Changes to NFIP

On behalf of the R Street Institute, we urge you to reject the emergency disaster supplemental in its current form. While there is no doubt that thousands of Americans in Florida, Texas, Puerto Rico and Mississippi are suffering as a result of recent hurricanes, this bill would exacerbate the problems inherent in the National Flood Insurance Program, or NFIP. Most problematic is the bill's provision canceling \$16 billion of the NFIP's debt without making any thoughtful reforms. Forgiving the program's debts without addressing the issues that created those debts in the first place would set a terrible precedent.

NFIP was nearly \$25 billion in debt prior to this season's hurricanes and is reported to already have exhausted its current borrowing capacity of \$30.4 billion. While NFIP needs additional capacity in order to pay out claims, canceling \$16 worth of debt in order to increase capacity should be only be considered if conditioned on enacting four reasonable reforms to the program.

First, the bill should include the bipartisan Flood Insurance Market Parity and Modernization Act, an earlier version of which passed the House unanimously in April 2016. Sponsored by Reps. Dennis Ross, R-Fla., and Kathy Castor, D-Fla., the bill would make a technical correction that would clarify which private flood insurance policies mortgage lenders are able to accept in connection with the federal coverage mandate. While NFIP is the primary provider of flood insurance, private providers sold more than \$400 million in coverage in 2016. The Ross-Castor language would further bolster the nascent private flood insurance market in order to alleviate financial stress on NFIP and give consumers more choice in the marketplace.

Next, in order to shore up the long term finances of NFIP, Congress should gradually move both discounted and grandfathered properties to risk-based rates. For too long, NFIP has subsidized people living in flood-prone areas, which has led to the program's nearly \$25 billion in debt – an entirely predictable result. Where necessary, Congress can subsidize low-income homeowners so that they can afford truly risk-based rates.

Likewise, Congress should mandate Federal Emergency Management Agency (FEMA) update its floodplain mapping. By requiring the use of Light Detection Ranging (LIDAR) surveying, FEMA can provide more accurate flood maps. With more accurate mapping, homeowners, mortgagees, regulators and taxpayers would better understand the flood risks properties face.

Finally, Congress should make serious investments in mitigation efforts in order to help the most vulnerable properties reduce their risk of flooding. Congress should mandate that FEMA work with lenders in order to facilitate mitigation loans. Likewise, Congress can require FEMA should work with local communities address flood-prone areas.

R Street believes Congress should provide hurricane relief and give NFIP additional borrowing capacity in order to process claims that it is contractually obligated to pay, but it should seize this opportunity to fix a broken program. Changing underlying structural issues within the NFIP would improve the environment, help reduce the human toll of future natural disasters and protect taxpayers.

Sincerely,

R Street Institute