Kirsten Sutton
Executive Vice President
Congressional Relations & Legislative Affairs
202-663-5356
ksutton@aba.com

September 11, 2025

The Honorable Bill Cassidy, M.D.
United States Senate
Washington, D.C. 20510

The Honorable Cory A. Booker
United States Senate
Washington, D.C. 20510

Re: Request for Information on NFIP Reauthorization and Reform

Dear Senators Cassidy and Booker:

The American Bankers Association (ABA)[1] appreciates the opportunity to provide input as the Senate considers the future of the National Flood Insurance Program (NFIP). ABA members are committed to supporting borrowers and communities in strengthening flood resilience and ensuring continued access to affordable, reliable flood insurance coverage.

As noted in the Request for Information (RFI),[2] for more than half a century, the NFIP has played a vital role in providing American homeowners with access to affordable flood insurance. Equally important, the program underpins the stability of the U.S. housing finance system by protecting borrowers, lenders, investors and communities from the financial risks of flooding. Stability and clarity in the NFIP's administration are therefore essential.

I. Reauthorization

A long-term reauthorization of the NFIP has consistently been a top priority for ABA and our members.[3] Stability in the program is essential to ensuring that borrowers in flood-prone areas can obtain the insurance necessary to protect their homes and banks can protect the collateral securing their mortgage loans. For this reason, ABA has long advocated for a five-year NFIP reauthorization to provide predictability and prevent disruptive lapses of the program.

[1] The American Bankers Association is the voice of the nation's $25 trillion banking industry, which is composed of small, regional and large banks that together employ approximately 2.1 million people, safeguard $19.7 trillion in deposits and extend $13.1 trillion in loans.
[2] Senate: Request for Information on the National Flood Insurance Program (Aug. 2025), https://www.aba.com/banking-topics/compliance/regulatory-proposals/senate-rfi-on-nfip.
[3] ABA Letter to Congress, re: Amendment to H.R. 2874 (Nov. 2017), https://www.aba.com/-/media/documents/archives/letter-to-congress-regulators/house-flood-insurance-reauthorization-program-111317.pdf?rev=4cc60873bcd94a62b4ab5188ffb8c6aa; Joint ABA Letter to Congress, re: National Flood Insurance Program Reauthorization (July 2018), https://www.aba.com/-/media/documents/archives/letter-to-congress-regulators/joint-nfip-lapse-letter-071018.pdf?rev=747796e6198949489c4064c7326eb84d; ABA, Memo in Support of NFIP Reauthorization Legislation (Jun. 2019), https://www.aba.com/-/media/documents/letters-to-congress-and-regulators/support-memo-nfip-bills-061019.pdf?rev=d2561e674aaf4ed887d35098c46ae369.

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Since 2017, the NFIP has been subject to 33 short-term extensions and has lapsed four times.[4] This pattern of temporary reauthorizations undermines confidence in the program and destabilizes the mortgage process by creating uncertainty for lenders, borrowers, and investors. When a lapse occurs, borrowers in Special Flood Hazard Areas (SFHAs) are generally unable to obtain flood insurance to close, renew, or increase loans until the NFIP is reauthorized. Although banks may continue to close loans during a lapse, the absence of available coverage interrupts the market and introduces unnecessary risk. During the June 2010 lapse, for example, estimates suggest that over 1,400 home sale closings were canceled or delayed each day—more than 40,000 transactions in a single month.[5]

To avoid disruptions in the future, ABA strongly supports a five-year NFIP reauthorization. We also recommend explicitly authorizing the NFIP to continue processing policies during a lapse and urge that any reauthorization clarify retroactive treatment to ensure uninterrupted coverage. Such measures would eliminate ambiguity over whether policies can be renewed or bound during a lapse—an issue that has created compliance confusion for banks and servicers in past interruptions.

Lastly, regardless of whether FEMA or another entity administers the NFIP, it is critical that the program is properly managed and fully funded so that it is reliably available for the millions of American families and communities that depend on it. The NFIP remains the backbone of the U.S. flood insurance market, with 4.7 million policies in force as of November 2024, providing $1.28 trillion in coverage.[6] By comparison, the private flood market, though growing, remains limited.[7] This disparity underscores that the private market, while important, is not yet developed enough to replace or substitute for NFIP coverage. Any transition in program administration must prioritize continuity, solvency, and customer service so that borrowers in flood-prone areas continue to have access to affordable, reliable coverage without disruption.

II. Mandatory Purchase Requirement (MPR)

Flooding continues to be one of the most costly and destructive natural disasters in the United States. Consequently, the banking industry takes compliance with the Flood Disaster Protection Act's (FDPA's) mandatory purchase requirements (MPR) very seriously. However, many of our members report that ensuring compliance with flood insurance regulations is among their most challenging obligations. This is mainly due to the unnecessary complexity of the flood insurance regulatory requirements, the absence of adequate, regularly updated guidance, and the inconsistent supervision and enforcement of the MPR.

[4] CRS, *What Happens If the National Flood Insurance Program (NFIP) Lapses?* (updated Mar. 21, 2025), https://www.congress.gov/crs_external_products/IN/PDF/IN10835/IN10835.56.pdf.
[5] *Id.*
[6] *Id.*; *see also* Flood Insurance Policies in the U.S., ValuePenguin (Nov. 2024), https://www.valuepenguin.com/flood-insurance-policies-study.
[7] Nat'l Ass'n of Ins. Comm'rs, Private Flood Insurance Data Call: State Summary Dashboard, https://tableau.naic.org/views/PFloodDataCall_17243464446170/StateSummary (last visited Sept. 8, 2025).

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First, flood compliance is unduly complicated and disproportionately burdensome for small banks, which often lack the staffing and compliance infrastructure of larger institutions. The highly technical nature of flood rules—such as requirements around force placement timing, detached structures, coverage of contents owned by guarantors, and documentation of insurable value—creates multiple opportunities for inadvertent error. Moreover, the FDPA requires that even minor, technical mistakes trigger civil money penalties (CMPs), despite banks' good-faith efforts to comply and their commitment to ensuring borrowers remain protected, which explains why flood violations are one of the most frequently cited violations by prudential regulators.[8]

ABA believes that CMP authority should be narrowed to cover only violations that result in a lack of flood insurance coverage on property that requires it. The prudential regulators regularly invoke CMPs, especially against community banks, for violations that are not, in fact, failures to comply with the statutory purchase obligation. Instead, penalties are often tied to administrative lapses such as miscalculating "insurable value" or failing to resolve a flood zone discrepancy—issues that properly fall within FEMA's domain as the program administrator and should be resolved through FEMA and its insurance agents. Penalizing banks for these types of technical errors misdirects compliance resources, undermines confidence in the system, and does little to advance the FDPA's core purpose of ensuring properties in Special Flood Hazard Areas are covered by flood insurance.

By contrast, in other areas of hazard insurance risk management—such as wind, fire, or earthquake—regulators expect banks to demonstrate prudent, risk-based practices, not perfect procedural compliance. Indeed, a more holistic rethinking of how all insurance requirements intersect with mortgage finance would be ideal, but we recognize the regulatory and financial constraints that make such broad reform extraordinarily difficult in the near term. More immediately, Congress should direct the banking regulators to bring flood supervision into alignment with this broader risk-based framework. Such an approach would shift examiner focus from technical "gotcha" violations to the substantive risk management outcomes that truly matter: ensuring that borrowers in flood-prone areas maintain adequate coverage and that collateral is properly protected.

Second, the absence of adequate guidance regarding compliance with the MPR poses significant challenges for banks of all sizes. Although the prudential regulators took a positive step by issuing updated Interagency Q&As in 2022, this was the first update in more than a decade. An eleven-year gap is unacceptable in a program where penalties are strictly enforced, and guidance must evolve with changes to the NFIP. Significant areas of uncertainty persist, such as the treatment of multiple structures on a property, the timing of force placement following map changes, and whether FEMA's Replacement Cost Value (RCV) can be used to establish insurable value.[9] Examiners often interpret these issues inconsistently, creating unnecessary risk

[8] Fed. Reserve Bank, A View from the Field: Commonly Cited Violations, Consumer Compliance Outlook (2020, First Issue), https://www.consumercomplianceoutlook.org/index-by-topic/~/link.aspx?_id=BE81722484FC4C2EB1CE0F67B4381D62&_z=z/.
[9] For a more detailed explanation of the ongoing compliance challenges, see the Flood Insurance section of ABA's 2024 comment letter on the regulatory burden review under the Economic Growth and Regulatory Paperwork

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for lenders and confusion for borrowers. Congress should require regulators to update the Q&As on a regular basis through the notice-and-comment process, ensuring that guidance remains current, comprehensive, and consistently applied nationwide.

Additionally, supervision and enforcement are not consistent for all mortgage lenders and servicers. Non-depository lenders now originate the majority of mortgages, yet these lenders are not subject to federal supervision for compliance with the MPR. While Fannie Mae and Freddie Mac audit flood compliance for loans they purchase from non-depositories, as noted previously, the GSEs' standards and assessments are not consistent with those of the prudential regulators. FHA has adopted yet another set of requirements for the loans it insures. This patchwork undermines the goal of consistent MPR compliance and creates operational barriers for lenders, particularly with respect to the acceptance of private flood insurance. Greater consistency among regulators and federal entities is essential to ensure uniform compliance expectations and to support the development of both the NFIP and the private flood insurance market.

Congress should also consider revising the current framework of the MPR to encourage broader uptake of flood insurance. Currently, the MPR applies only to homes with federally related mortgages, leaving a significant portion of the housing stock uninsured against flood risk. Roughly 37% of U.S. homes—more than 33 million properties—are owned free and clear of a mortgage.[10] These properties are outside the scope of the MPR and, as a result, many of them lack flood coverage altogether. This gap contributes to billions of dollars in uninsured losses each year and places enormous financial strain on families, communities, and disaster relief programs when floods occur. The current "in or out" framework of 100-year flood zones also reinforces the misperception that properties outside of SFHAs face little or no flood risk, further discouraging voluntary uptake. ABA urges policymakers to review recommendations from FEMA's Technical Mapping Advisory Council (TMAC) [11] to guide reforms in this area.

Lastly, Congress should consider establishing federal preemption over state laws that restrict the amount of flood insurance lenders may require. Several states have either enacted or considered legislation that set state-specific caps on required coverage. For example, New York passed a bill in 2024 prohibiting mortgagees from requiring borrowers to obtain flood insurance in an amount exceeding the lesser of the property's replacement cost or the outstanding loan balance, and bars lenders from requiring contents coverage.[12] Similarly, Massachusetts enacted a law in 2014 limiting flood insurance requirements to the outstanding loan balance.[13]

Reduction Act of 1996 (EGRPRA), available at: https://www.aba.com/-/media/documents/comment-letter/102302024-comment-letter-to-fdic-federal-reserve-occ-egrpra.pdf?rev=5ed789fd43a64dabb3cf326cfa45973d.
[10] Fannie Mae, Consumer Flood Risk Awareness and Insurance Study (Dec. 2023), https://www.fanniemae.com/media/49491/display.
[11] FEMA, Technical Mapping Advisory Council: 2023 Annual Report (Mar. 2024), https://www.fema.gov/sites/default/files/documents/fema_tmac-annual-report_2023.pdf.
[12] 2024 N.Y. Laws ch. 647 (codified at N.Y. Banking Law § 6-l(2)(k)).
[13] 2014 Mass. Acts ch. 177 (codified at Mass. Gen. Laws ch. 183, § 65).

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These state laws undermine the FDPA's framework, which establishes minimum federal coverage requirements but allows lenders to require higher coverage to protect collateral. By converting a federal minimum into a state maximum, these statutes expose borrowers and lenders alike to underinsurance. They also conflict with federal investor and program requirements: for example, Fannie Mae and Freddie Mac require coverage up to full replacement cost value for securitized loans, and FEMA's NFIP Dwelling Form only provides replacement cost loss settlement when coverage equals at least 80% of replacement cost or the maximum NFIP limit. Thus, state-imposed caps leave borrowers at risk of significant out-of-pocket costs after a loss and create compliance conflicts for lenders seeking to satisfy federal prudential regulators, GSEs, and FEMA simultaneously.

III. Continuous Coverage

Continuous coverage is essential for maintaining affordable premiums for American homeowners. By maintaining coverage without interruption, policyholders can lock in lower rate class (e.g., pre-FIRM subsidies or a grandfathered flood zone rating) even if flood maps change or if actuarial rates later increase. Without this protection, homeowners who experience a lapse are immediately re-rated at full-risk premiums under Risk Rating 2.0. In many cases, this results in premiums increasing by hundreds or even thousands of dollars annually, pricing borrowers out of coverage. Particularly, for borrowers in low- to moderate-income households, even a short lapse—sometimes caused by something as simple as an escrow miscalculation or a late renewal notice—can lead to unaffordable premiums.

Continuous coverage is also essential to encouraging long-term participation in the NFIP. The risk of losing subsidies discourages homeowners from dropping coverage voluntarily. In this way, continuous coverage functions as a retention tool for the NFIP, helping to maintain a broad risk pool. However, when lapses do occur, the penalty of losing eligibility for lower rates often drives homeowners out of the program entirely because they can no longer afford NFIP premiums. This erosion of the risk pool undermines the NFIP's long-term solvency and reduces participation in at-risk areas—precisely where coverage is most needed.

For banks, continuous coverage provides predictability in escrow management and compliance with the MPR. Lapses disrupt servicing operations, trigger costly force-placement processes, and increase borrower defaults when sudden premium shocks occur. Therefore, preserving continuous coverage not only protects borrowers, but also helps lenders manage risk and servicing efficiency.

Any reforms that strengthen and modernize continuous coverage rules will directly improve both borrower outcomes and NFIP sustainability. To this end, ABA urges Congress to expressly recognize private flood insurance policies that are equivalent to NFIP coverage as satisfying the continuous coverage requirement, and to avoid penalizing borrowers by removing their eligibility for subsidized or grandfathered rates. A private policy should, at minimum, provide coverage amounts, deductibles, and loss settlement terms equivalent to those available under the

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NFIP Standard Flood Insurance Policy.[14] Failure to recognize private insurance not only penalizes borrowers for shopping competitively, but it also discourages NFIP participation, creates a barrier to private market growth, and undermines affordability. Additionally, we recommend a 30-day grace period following a policy lapse so that borrowers do not lose rate locks or grandfathered status due to administrative or servicer error.

IV. Coverage Limits

The NFIP's statutory coverage limits—$250,000 for residential buildings and $500,000 for nonresidential—are outdated and often insufficient to protect both borrowers and lenders. In many markets, especially higher-cost areas, loan balances far exceed NFIP limits, leaving collateral underinsured and exposing borrowers to significant financial risk. These limits have not been meaningfully adjusted since the 1990s, despite dramatic increases in home prices and replacement costs nationwide. Today, the median sale price for existing U.S. homes is approximately $422,400,[15] meaning that most typical loan balances exceed the NFIP's residential coverage cap—underscoring that this is a nationwide issue.

ABA supports raising statutory limits to better reflect modern replacement costs. We recommend tying maximum coverage amounts to the national conforming loan limits for Fannie Mae and Freddie Mac to ensure consistency with the broader mortgage market. At the same time, increases should be phased in gradually—no more than one rate adjustment every five years—to give lenders, borrowers, and insurers time to adjust and to mitigate unintended consequences, particularly in the condominium market where policies may apply to multiple units.

To preserve affordability and market stability, ABA also recommends that any property with an existing NFIP policy that would see higher premiums solely due to increased coverage limits be placed on a premium glidepath. This glidepath protection should transfer with the property to future owners, ensuring that resale values are not depressed by sudden, unaffordable insurance requirements tied to statutory changes. This approach would balance the need for updated coverage limits with the imperative to maintain affordability, protect collateral values, and encourage continued participation in the NFIP.

V. Affordability & Premium Structure

Borrower affordability is critical to compliance with the mandatory purchase requirement and to the long-term performance of mortgage loans. ABA supports the use of annual caps on premium increases as a tool for providing predictability to borrowers and lenders. Annual caps provide borrowers time to adjust to higher costs while ensuring that FEMA's premiums continue moving toward actuarially sound levels. We also support a means-tested affordability program but

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[14] This would be similar to the requirement under the FDPA, which partly defines "private flood insurance," as an insurance policy that "provides flood insurance coverage that is at least as broad as the coverage provided under a standard flood insurance policy under the NFIP…" 42 U.S.C. § 4012a(b)(7).

[15] National Association of REALTORS, Research & Statistics, Research & Statistics, https://www.nar.realtor/research-and-statistics (last visited Sept. 4, 2025).

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strongly recommend that such assistance is distinct from and administered separately from FEMA's risk-based premium calculation, which should remain grounded in actuarial principles.

In 2023 report, GAO concluded that annual rate caps, while helpful for predictability, do not address affordability challenges and recommended that Congress establish a means-tested affordability program to ensure at-risk households can maintain coverage.[16] Without such a program, many homeowners—particularly in lower-income and high-risk communities—will face unsustainable premium increases, increasing the risk of policy lapses and undermining NFIP participation. ABA also believes that expanded mitigation incentives would also help lower borrowers' premiums over time, while also reducing borrower risk. Properly structured mitigation credits encourage investment in resilient construction and benefit both homeowners and lenders by reducing loss severity.

ABA also agrees that, if properly implemented, giving borrowers the option to pay NFIP premiums in monthly installments could help reduce delinquency risk and better align payments with borrower cash flow. To ensure smooth integration into escrow and servicing operations, we urge FEMA to provide detailed implementation guidance and recommend that FEMA review the National Flood Association's letter on this issue as a foundation for developing that guidance.[17] Ultimately, strengthening affordability protections is essential not only to preserving borrower access to coverage but also to sustaining broad participation in the NFIP risk pool and ensuring the program's long-term solvency.

VI. Other Considerations

Flood Mapping: Accurate mapping and transparent risk rating are the foundation of compliance with the MPR. The MPR applies to federally regulated or supervised lenders making, increasing, renewing, or extending loans secured by property located in a SFHA. FEMA's flood insurance maps are the definitive source for identifying SFHAs. If maps are outdated or inaccurate, lenders cannot reliably determine whether a property is subject to the MPR, as required by federal banking regulations. Beyond compliance, accurate mapping is also essential to ensuring that NFIP premiums are appropriately tied to risk. Outdated maps may overstate or understate a property's flood exposure, resulting in borrowers either paying more than necessary or being undercharged until a loss occurs. Without accurate, current maps, both lenders and borrowers face heightened compliance risk, unnecessary costs, and avoidable uncertainty. For this reason, ABA strongly supports mandatory, regular updates to FEMA's flood maps so that lenders, borrowers, and communities can rely on accurate data that properly reflects both risk and mitigation.

[16] Gov't Accountability Office, *Flood Insurance: FEMA's New Rate-Setting Methodology Improves Actuarial Soundness but Highlights Need for Broader Program Reform*, GAO-23-105977 (July 2023), https://www.gao.gov/assets/gao-23-105977.pdf.
[17] NFA, Letter to FEMA re: NFIP Installment Payment Plan (Dec. 2024), https://03079ef6-3ebc-4a2e-9b3c-2230e5dffe31.usrfiles.com/ugd/03079e_4721b8b879664f50b3fd4958bc37c199.pdf.

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Risk Rating 2.0: Transparency in FEMA's Risk Rating 2.0 methodology is essential to ensuring accountability, accuracy, and borrower confidence in the NFIP. Without transparency, insurers face difficulty explaining to borrowers why premiums change, particularly when increases appear disconnected from observed property conditions or community mitigation efforts. This lack of clarity creates borrower confusion, erodes trust in the program, and leads to disputes at loan origination and during servicing. To increase borrower education on flood risks and reinforce the confidence that NFIP premiums are tied directly to actual flood risk, ABA supports requiring FEMA to provide clear, accessible information on Risk Rating 2.0's methodology and assumptions and to provide a formal process for stakeholder feedback.

Flood Disclosures: ABA urges adoption of a uniform federal flood-risk disclosure law to preempt the existing patchwork of state statutes. According to a 2024 analysis by the NRDC,[18] over one-third of states impose no legal requirement for sellers or landlords to disclose flood risk or prior flood damage—leaving millions of homebuyers and renters uninformed about one of the most financially consequential risks they may face. In other states, disclosure laws vary widely in scope and quality. Some require only minimal information—such as whether a home lies in a floodplain—while others require disclosure of flood-related damage or insurance mandates. This uneven landscape leaves many homebuyers and renters unaware of the risks they face, particularly in states without robust disclosure laws or where disclosure applies only at the point of mortgage origination. As a result, borrowers without federally backed mortgages or renters may never receive meaningful information about their flood exposure. A uniform federal disclosure requirement for sellers would ensure that all homebuyers and renters receive consistent, reliable information about a property's flood risk and history before closing.

Consumer Education: Lastly, ABA urges FEMA to continue investing in robust consumer education tools that raise awareness of flood risk and available insurance options. According to a recent report, a staggering 77% of at-risk, single-family homes outside FEMA's designated flood zones lack flood insurance coverage.[19] Even within high-risk areas, 52% of total expected flood losses go uninsured, and over 90% of low-income households are underinsured—with expected losses often amounting to over 20% of annual income.[20] These gaps reflect a widespread misunderstanding that flood damage is covered under standard insurance policies, and even fewer understand their property's specific flood exposure or the potential cost of flooding. Without proper education, borrowers face overwhelming financial risk—including potential foreclosure—after a flood event, and often only discover this when it's too late. To bridge these gaps and strengthen NFIP participation, FEMA must continue investing in accessible consumer education tools. Expanding platforms like FloodSmart.gov and developing user-friendly resources—such as interactive mapping tools, premium calculators, and plain-language risk guides—can arm homeowners with critical information before disaster strikes.

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[18] Nat'l Res. Def. Council, How States Stack Up on Flood Disclosure (Apr. 2025), https://www.nrdc.org/resources/how-states-stack-flood-disclosure.
[19] Neptune Flood, *Bridging the Flood Insurance Gap: Addressing the Underinsurance Crisis in the United States* (July 2025), https://neptuneflood.com/research/bridging-the-flood-insurance-gap-addressing-the-underinsurance-crisis-in-the-united-states.
[20] *Id.*

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Conclusion

ABA appreciates the leadership of Senators Cassidy and Booker in seeking stakeholder input on NFIP reauthorization and reform. We believe the priorities outlined above—stability, affordability, compliance clarity, and transparency—will strengthen the NFIP while protecting borrowers, communities, and the housing finance system. Any reform efforts should avoid abrupt changes like those passed in the Biggert-Waters Act of 2012, which were partially rolled back due to affordability concerns. Gradual, predictable reforms are essential.

We look forward to continued engagement with your offices, the Senate Banking Committee, FEMA, and other stakeholders as Congress considers NFIP reauthorization and reform.

Sincerely,

Kirsten Sutton

Cc: Senate Banking Committee