

February 24, 2014

To: Members of the United States House of Representatives

From: James C. Ballentine, Executive Vice President, Congressional Relations & Political Affairs  
J. Kevin A. McKechnie, Senior Vice President & Director, ABA Office of Insurance Advocacy

Re: Support for H.R. 3370, the Homeowner Flood Insurance Affordability Act

The American Bankers Association and the American Bankers Insurance Association strongly supports H.R. 3370, the Homeowner Flood Insurance Affordability Act being taken up by the House of Representatives this week. This important bill addresses National Flood Insurance Program (NFIP) affordability issues and corrects other unintended consequences resulting from earlier reform efforts.

H.R. 3370 builds upon action taken by the Senate two weeks ago. The House bill would address affordability issues caused by rapid premium increases triggered under the Biggert/Waters Act of 2012. Among other changes, the bill permanently repeals provisions of Biggert/Waters which triggered large rate increases on previously grandfathered properties and requires the Federal Emergency Management Agency (FEMA) to study and report on other affordability issues within two years.

Like the Senate passed bill, the legislation addresses problems relating to escrow accounts for NFIP policyholders which would have imposed unnecessary and costly new requirements on borrowers, lenders and servicers, driving up the cost of flood insurance. The bill also includes clarifying language to ensure that private flood insurance policies are more readily available as an alternative to the NFIP, giving consumers greater choice and driving down flood insurance prices through greater competition.

The long term actuarial soundness of the NFIP remains an important policy goal. The legislation is paid for through a small surcharge on all NFIP rate payers, amounting to a minimal annual fee for all policy holders. The changes mandated under the Biggert/Waters Act of 2012 were well intentioned but require further refinement. H.R. 3370 addresses the unintended consequences resulting from Biggert/Waters and strengthens the NFIP while ensuring that borrowers are able to afford flood insurance going forward.

We strongly urge support for H.R. 3370 and its swift passage.