Statement for the Record

On Behalf of the

AMERICAN BANKERS ASSOCIATION

and the

AMERICAN BANKERS INSURANCE ASSOCIATION

For the Hearing

“The National Flood Insurance Program: The Need for Long-Term Reauthorization and Reform”

Before the

Subcommittee on Economic Policy

Committee on Banking, Housing, & Urban Affairs

United States Senate

May 9, 2012
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The American Bankers Association (ABA) is pleased that the Subcommittee is holding this important hearing (Flood Insurance – Long Term Reauthorization) and appreciates the opportunity to submit a statement for the record. The American Bankers Association represents banks of all sizes and charters and is the voice of the nation’s $13 trillion banking industry and its two million employees.

The American Bankers Insurance Association (ABIA) is a subsidiary of the American Bankers Association (ABA). As the only Washington, DC based full service association for bank-insurance interests, ABIA is dedicated to furthering the policy and business objectives of banks in insurance.

The ABIA’s mission is to develop policy and provide advocacy for banks in insurance and to support bank insurance operations through research, education, compliance-assistance and peer group networking opportunities.
Members of the ABIA include banking institutions of all asset sizes, insurance companies, service providers, consultants, mortgage companies, credit card companies and associations. The membership makeup is approximately 55% banking institutions and 45% all other providers.

We would like to share with the Subcommittee our concerns about the problems created by lapses in the authorization of the National Flood Insurance Program (NFIP) as well as suggestions for long-term reform and reauthorization.

Since 1968 nearly 20,000 communities across the United States and its territories have participated in the NFIP by adopting and enforcing flood plain management ordinances to reduce future flood damage. In exchange, the NFIP makes federally-backed flood insurance available to homeowners, renters, and business owners in these communities.

The NFIP’s authorization has been subject to short-term extensions in recent years, and has, at times, been allowed to lapse before being re-authorized retroactively. Such lapses create procedural and compliance difficulties for lenders and unnecessarily delay borrowers seeking to purchase homes. More than 5.6 million policyholders in 21,000 communities nationwide depend on the NFIP as their main source of protection against property losses that result from flooding. Without flood insurance, many residential and commercial real estate transactions across the country will come to a stop, as federally backed mortgage loans cannot legally be secured without this critical protection. Failing to reauthorize the NFIP could jeopardize nearly 40,000 mortgage closings per month.

We are about to enter hurricane season, and America cannot afford a lapse of the program. Failure to reauthorize the NFIP would further stress already struggling real estate markets, potentially cost the government billions of dollars in uncompensated relief efforts, and put millions of consumers at risk.
In July 2011, the House of Representatives passed a bi-partisan measure, H.R. 1309, by a vote of 406-22. On September 9, 2011, the Senate Banking Committee unanimously approved its version of the 5-year bill. Both proposals include a long-term reauthorization and important reforms that will optimize the current program, make needed improvements to the flood plain mapping and appeals processes, and other key reforms that will encourage program participation and put the NFIP back on the path to sound financial footing.

We do bring to your attention to a provision included in Section 3 of the House-passed legislation dealing with cancellation of force placed insurance when a borrower demonstrates that they have obtained flood insurance. Requiring cancellation of force placed insurance in such an instance is appropriate, but the legislation would require lenders to cancel the force placed insurance and refund to the borrower any fees within 30 days of notification of other insurance. Given the realities of paperwork processing and internal control compliance, we respectfully urge that this time frame be extended to a minimum of 60 days if such a provision is considered in any final legislation.

Thank you for your efforts to reform and extend this important program, and for hearing our concerns. We look forward to working with you and the other members of the subcommittee as this process moves forward and we encourage the full Senate to act now to reauthorize this program and avoid the costly consequences that would result in a lapse from failure to act.