The Homeowner Flood Insurance Affordability Act of 2014

Amendment in the Nature of a Substitute

The economic ramifications surrounding unaffordable flood insurance is devastating home values, small businesses, and entire communities across the country. Since the U.S. House of Representatives took initial action on June 5, 2013 to delay certain flood insurance rate hikes, FEMA has released its Specific Rate Guidelines; confirming fears of sudden and steep rate increases for many Americans. The House will again act to protect the solvency of the flood insurance program and will protect homeowners from unreasonable and unrealistic premium increases.

The House proposal *truly* balances fiscal solvency with consumer affordability

Provides Greater Consumer Affordability & Predictability:

- **Permanently removes the home sale/new policy rate increase trigger for primary residences.** So the person buying the home is treated the same as the person selling it. Removal of these provisions would restore real estate markets in communities across the country.

- **Reinstates grandfathered rates by decoupling rate increases with FEMA remapping.** Removal of this provision ensures that policyholders are not penalized who built to code and built to standards of existing Flood Insurance Rate Maps.

- **Provides a refund for the people who purchased a Pre-FIRM subsidized home without the full transparency from FEMA** on the new BW-12 rate structure, which wasn't made public for a year after BW-12 was signed into law.

- **Provides home improvement protection** by increasing the threshold that triggers a loss of Pre-FIRM status for homes substantially damaged/rebuilt from exceeding 30% of the fair market value to 50% (which was the threshold prior to BW-12).

- Would include generally accepted affordability measures such as: **high deductible options, flood-proofed basement exemptions, map certification, flood protection funding recognition, optional monthly installment plans, exceptions on escrow requirements, removing the funding cap on the affordability study**, etc.

Ensuring Greater Fiscal Solvency of NFIP:

- Authorizes a small assessment around $25 per year on primary residence polices in the NFIP and around $250 per year on business/non-primary residence policies in the NFIP. All revenue from the assessments would be placed in the NFIP reserve fund (created by BW-12), which could be used to transfer catastrophic flood risk to the private market. The assessment benefits all policyholders by building up the NFIP reserve fund. Currently, the reserve fund balance is inadequate to handle future storms like Hurricanes Katrina and Sandy. The assessment would phase-out as premium rates match projected loss.