

# NAR Frequently Asked Questions (FAQ) Sheet: Flood Insurance Extension Update

(Updated: May 30, 2019)

## What is the issue?

Without Congressional action, the National Flood Insurance Program (NFIP) will expire at midnight on Friday, May 31, 2019. NAR is working to avoid a lapse while Congress continues to negotiate over a long-term reauthorization and reform measure.

## What's the latest?

- On May 14, 2019, the House of Representatives voted unanimously to extend the NFIP through September 30, 2019. The Senate responded May 23 by attaching the 4-month NFIP extension to a disaster aid package that passed 85 to 8 (H.R. 2157).
- **House Leaders are expected to call up the Senate bill for a voice vote today at 4:30 pm (Eastern).** Because the House is in pro forma session this week, any legislation will require the unanimous consent of the entire body. There can be no objections.
- Unfortunately, when the bill was previously called up, a couple of House members objected to passing a multi-billion-dollar spending bill without an official roll-call vote. It is unclear at this time whether there will continue to be objections this evening.
- **Congressional Leaders are well aware of the impending NFIP deadline and working to expedite a vote that could occur as early as Monday, June 3.**
- In the interim, there are proactive steps that NAR members can take in order to secure flood insurance for upcoming closings, in the event of a brief lapse over the weekend (see below).

## What happens next?

NAR is closely monitoring the situation and prepared to escalate our grassroots if it becomes necessary. NAR reiterates that once it comes to a roll call, the votes are there to pass an NFIP extension bill; these House member objections are purely a parliamentary play. **No call to action is needed at this time.**

## What is NAR doing?

- NAR is in regular communication with Congressional leaders.
- NAR is reinforcing NFIP's importance and the impact of a lapse with key members of Congress.
- NAR has also initiated a targeted call for action of the Federal Political Coordinators where it can have a positive impact.
- NAR is coordinating with a coalition of industry groups. [Read our most recent coalition letter.](#)
- During NAR's legislative meetings two weeks ago, flood insurance was a talking point for hundreds of REALTOR® meetings with members of Congress.
- NAR has raised the profile of the issue with multiple calls for action, talking points, op-eds and paid ads.

## What happens during a lapse?

The NFIP cannot sell or renew flood insurance policies. The NFIP can pay claims from existing revenue but may not borrow more from the U.S. Treasury if funds run out. The federal requirement to purchase flood insurance is also suspended during a lapse, which means it is entirely up to lenders to decide whether to continue making loans in special flood hazard areas while flood insurance is not available from the NFIP.

### **What about my client's flood insurance? What can they do now?**

- NFIP is authorized to renew/issue new flood insurance policies until 11:59 pm on Friday, May 31. Policies take effect immediately in connection with a mortgage loan.
- Existing NFIP policies will remain in effect until their expiration date (i.e., the renewal date plus a 30-day grace period), and claims will continue to be paid as long as FEMA has funds on hand.
- Renewal policies are generally issued as long as the application is received prior to the lapse and the premium is received within the 30-day grace period. Other renewals must wait for reauthorization.
- Existing/renewal policies may be assigned to/assumed by property buyers during a lapse (see p. 3 [here](#)). Simply changing the name on a policy (from owner to buyer) does not require the NFIP to reissue it.
- Private flood insurance backed by a source other than NFIP (e.g., Lloyd's of London) are not affected by a lapse. Click [here](#) and [here](#) for some options.
- It is possible that some lenders will consider making special-flood-hazard-area loans while the federal purchase requirement is suspended. It all depends on whether the bank is willing to accept the risk.

### **Federal Agency Guidelines (authorizing lending during a lapse):**

FEMA (administers the NFIP): <https://nfipservices.floodsmart.gov/sites/default/files/w-17069.pdf>

Federal Reserve: <http://www.federalreserve.gov/boarddocs/caletters/2010/1003/caltr1003.htm>

FDIC: <https://www.fdic.gov/news/news/financial/2010/fil10023.html#body>

OCC: <https://www.occ.gov/news-issuances/bulletins/2010/bulletin-2010-20.html>

FCA: [https://www3.fca.gov/readingrm/infomemo/Lists/InformationMemorandums/Attachments/54/IM-FEMA\\_Authority\\_Extension\\_re\\_Flood\\_Insurance\\_060310.pdf](https://www3.fca.gov/readingrm/infomemo/Lists/InformationMemorandums/Attachments/54/IM-FEMA_Authority_Extension_re_Flood_Insurance_060310.pdf)

NCUA: <https://www.ncua.gov/Resources/Documents/LCU2010-08Encl.pdf>

Fannie Mae: <https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2010/ll1005.pdf>

Freddie Mac: [http://www.freddiemac.com/singlefamily/news/2010/0326\\_flood.html](http://www.freddiemac.com/singlefamily/news/2010/0326_flood.html)

FHA: [http://portal.hud.gov/portal/page/portal/HUD/federal\\_housing\\_administration](http://portal.hud.gov/portal/page/portal/HUD/federal_housing_administration)