



**Homeland
Security**

May 28, 2024

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Minority Leader:

Enclosed are 17 legislative proposals intended to reform the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program (NFIP), which makes up the second transmittal (tranche #2) of legislative proposals that support the President's Fiscal Year 2025 budget request for the U.S. Department of Homeland Security. The Office of Management and Budget advises that enactment of these 17 legislative proposals is in accord with the program of the President, and I respectfully request that Congress expeditiously take up and enact these proposals.

Congress established the NFIP to enable United States residents to buy insurance to protect their homes in flood-prone areas. For more than 50 years, the NFIP has proven itself essential to the nation's resiliency policy. Today, the NFIP requires structural change to ensure individuals and communities have a sustainable program to provide the assistance they need when they need it for decades to come.

On September 30, 2024, the NFIP's latest short-term extension of its statutory authority for financing and to sell and renew flood insurance policies, will expire. Since the NFIP's last multi-year reauthorization expired on September 30, 2017, the NFIP has experienced at least 30 short-term extensions, including three brief lapses. Frequent short-term extensions are disruptive and cause existing and potential policyholders to lose confidence in the NFIP as a reliable insurance program available to protect their homes and contents from flood risks. As such, the Administration believes expeditiously passing a 10-year reauthorization with comprehensive program reforms is an imperative.

As Congress considers NFIP reauthorization, the Administration urges Congress to consider several reform principles to ensure more Americans are covered by flood insurance, build the nation's climate resilience, reduce disaster suffering, and establish a sound and transparent financial framework for the NFIP. Principles outlined below reflect the Administration's priorities for multi-year NFIP reauthorization:

- **Ensuring more Americans are covered by flood insurance by making insurance more affordable to low- and moderate-income policyholders.** Under its current authorities, the NFIP can only make rates “reasonable” by offering statutory discounts and cross-subsidies, primarily based on a building’s age, or by considering mitigation activities undertaken by the property owner or community. Such discounts and cross-subsidies make risk communication through the price of flood insurance difficult, contributing to policyholder misunderstanding of flood risk. A targeted assistance program would offer low- and moderate-income current and prospective NFIP policyholders a graduated risk premium discount while providing them with knowledge of the full-risk price to communicate a property’s true flood risk. The price of a flood insurance policy is an important signal of flood risk. Property owners, families, and communities who do not recognize their true flood risk due to discounted insurance rates may not take necessary mitigation actions to prepare for and protect themselves against flood events. Risk-based flood insurance premiums are appropriately higher priced in areas with high flood risk.
- **Building climate resilience by transforming the communication of risk and providing Americans with tools to manage their flood risk.** The nation’s evolving needs require more robust flood hazard information than the special flood hazard area (SFHA) and 1-percent annual chance flood elevation. Expanding how the NFIP communicates risk will provide the nation with a more comprehensive understanding of flood risk. Furthermore, a significant barrier to addressing the nation’s flood risk is home buyers’ and renters’ lack of awareness about flood risk when they complete real estate transactions. Requiring states to establish certain minimum flood-risk reporting requirements for sellers and lessors before residential transactions close as a condition for participation in the NFIP can address this barrier.
- **Reducing risk, losses, and disaster suffering by strengthening local floodplain management minimum standards and addressing extreme repetitive loss properties.** The NFIP must have better tools to address insured structures that have experienced multiple flood claims. Known as repetitive loss (RL) and severe repetitive loss (SRL) properties, these structures are responsible for a disproportionate share of losses and have a high risk of future flooding. About 2.5% of insured properties are considered unmitigated repetitive loss properties of any category, indicating a high risk for future flooding. Multiple loss properties contribute to the NFIP’s financial challenges and explain some of the public’s negative perceptions.
- **Instituting a sound and transparent financial framework that allows the NFIP to balance affordability and fiscal soundness.** Congress authorized FEMA to borrow from the U.S. Treasury up to \$30 billion to pay claims. The NFIP currently carries \$20.5 billion in debt to the U.S. Treasury and pays approximately \$619 million in interest expenses annually – using the current premiums to pay for past claims. As currently structured, the program is unable to pay this debt back in full. A sound financial framework, essential for establishing a sustainable NFIP, fundamentally challenges the original construct and assumptions that underly the program’s existing financial framework.

Comprehensive and transformative reform is necessary to transition the NFIP to a sustainable program that balances affordability and fiscal soundness, builds climate resilience, and reduces risk, loss, and disaster suffering. It is critical that Congress provide urgently needed multi-

year reauthorization and concurrently reform the NFIP.

FEMA recognizes the proposals in this legislative package may impact the supply of affordable housing in and around areas at risk of flooding. FEMA recognizes there is a severe housing supply crisis across the nation, and disasters exacerbate this crisis. The lowest income households – who are most vulnerable to disasters – are also the most affected by this housing crisis. After enactment, FEMA will engage and assist the Department of Housing and Urban Development (HUD) to conduct a rigorous evaluation of the impacts of this legislation on the supply and pricing of housing in special flood hazard areas (SFHAs) and neighboring areas.

The Department of Homeland Security and the Administration look forward to working with Congress to develop a long-term solution to address the needs of the NFIP, its policyholders, and the nation. We stand ready to work with you to achieve the objectives described in this letter.

Identical letters will be transmitted to the Speaker and the Majority Leader of the House of Representatives, as well as to the President, the Majority Leader, and the Minority Leader of the Senate.

The Office of Management and Budget advises that, from the viewpoint of the Administration's program, there is no objection to the presentation of these legislative proposals to Congress.

If I may be of further assistance, please contact me at (202) 447-5890.

Respectfully,

A handwritten signature in black ink, appearing to read 'Zephra Buetow', with a stylized flourish extending to the right.

Zephra Buetow
Assistant Secretary for Legislative Affairs

Enclosure