



Credit Union National Association

CUNA Issue Summary

FLOOD INSURANCE

ISSUE: The National Flood Insurance Program (NFIP), run by the Federal Emergency Management Agency (FEMA), was established in 1968. Prior to its existence, many homeowners, renters, and businesses were unable to insure against flood losses because private insurers did not offer such coverage.

The NFIP is typically reauthorized every few years. The goals of the program are to reduce future flood damage through floodplain management and to provide Americans with flood insurance. Recent Congressional legislation has been focused on ensuring the fiscal integrity of the program and minimizing the risk to taxpayers in the event of a catastrophic storm. In addition, efforts have been underway to make those living in high-risk areas and those with repeated NFIP claims pay more to support the program. Finally, Congress has considered proposals to expand the program to other natural disasters.

CUNA POSITION: Adequate funding for the program is important to ensure that people living in flood plains are able to secure protection, obtain mandatory coverage, for their homes and mortgages.

Flood insurance is often required by law in certain areas and thus becomes a necessary purchase by prospective homeowners before credit unions can offer mortgages and other related products to homebuyers in flood prone areas.

STATUS/OUTLOOK: The *National Flood Insurance Act of 2004* (P.L. 108-264) was signed into law on June 30, 2004. It reauthorized the NFIP through 2008. It also included provisions that require people enrolled in the NFIP who live in flood-prone areas to reduce their risk of flooding, or pay higher premiums. On March 23, 2006, the *National Flood Insurance Program Enhanced Borrowing Authority Act of 2006* (P.L. 109-208) was signed into law by President Bush. It increased the borrowing authority for the National Flood Insurance Program to \$20.8 billion, from \$18.5 billion.

The *Omnibus Appropriations Act of 2009* extended funding and authorization for the NFIP through September 30, 2009. On July 29, 2009, the House of Representatives passed H.R. 3139, a bill to extend the program until March 2010. The bill now moves to the Senate for consideration. CUNA continues to monitor legislation to improve the NFIP.

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LAST UPDATED: July 30, 2009

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