

NAR FAQ Sheet:

National Flood Insurance Program expires September 30

What is the issue? Without Congressional action, the National Flood Insurance Program (NFIP) will expire at midnight on Monday, September 30, 2019. NAR is making every effort to secure a long-term reauthorization of the NFIP. Here are answers to frequently asked questions about what this means for upcoming closings and several proactive steps your clients can take in the interim.

What is the latest? The House of Representatives has not scheduled a vote on 5-year reauthorization and reform legislation (HR 3167) that unanimously passed the House Financial Services Committee on June 11. Several bills have been introduced in the Senate but no further action taken. Congress and the White House are aware of the NFIP deadline and working to attach an extension to a continuing funding resolution for the U.S. government to continue operating after September 30. NAR is urging the longest NFIP extension possible in the CR so Congressional leaders have sufficient time to reach agreement on a long-term solution.

What is NAR doing?

- NAR is in regular communication with Congressional leaders and the White House.
- NAR is coordinating with a broad coalition of industry groups to support a long-term reauthorization.
- Flood insurance was a [priority talking point](#) for meetings with members of Congress over August recess.
- Hundreds of members of Congress were contacted about [NFIP's importance to every state in the U.S.](#)
- NAR has raised the profile of the issue with multiple calls for action, talking points, op-eds and paid ads.

What happens if there is a lapse?

- NFIP cannot sell new or renew flood insurance policies after 11:59 pm (Eastern) on September 30.
- 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 the funds on hand.
- Renewal policies are generally issued as long as the application is received prior to a lapse and the premium is received within the 30-day grace period. Other renewals must wait for reauthorization.
- During a lapse, property buyers can assume existing/renewal policies. “Assignment of policies” (page 3 [here](#)) allows insurers to substitute the buyer’s name for the seller’s without having to reissue the policy.
- Private flood insurance backed by a source other than NFIP (e.g., Lloyd’s of London) are not affected. Click [here](#) and [here](#) for some options. Please remind your clients to read the fine print.
- The federal requirement to purchase flood insurance is suspended, which means it is up to lenders to decide whether to make loans in special flood hazard areas while NFIP insurance is not available.

Federal Agency Guidelines (suspending flood insurance requirements during an NFIP 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://ww3.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/2018/0122_nfip_lapse.html