

Congress of the United States

Washington, DC 20515

March 23, 2016

The Honorable John Carter
Chairman
Appropriations Subcommittee on
Homeland Security

The Honorable Lucille Roybal-Allard
Ranking Member
Appropriations Subcommittee on
Homeland Security

Dear Chairman Carter and Ranking Member Roybal-Allard:

The National Flood Insurance Program (NFIP) continues to be the primary source of flood insurance coverage for homeowners and businesses, covering over 5 million households and businesses across the country. However, the substantial debt that the NFIP has taken on in recent years threatens the affordability of the premiums it offers and must be addressed in order to preserve the long-term stability of the program.

The NFIP is currently \$23 billion in debt.¹ It should be no surprise that the NFIP is in the red. By Congressional design, the NFIP is largely self-sustaining – funded by insurance premiums and fees paid by policyholders – but it is not set up to fund large catastrophic events through policy premiums and fees alone. According to this design, the NFIP was self-supporting from 1986 until 2005, but the program took on substantial debt because of extraordinary losses incurred following hurricanes Katrina, Rita, and Wilma in 2005 and Superstorm Sandy in 2012. The current debt represents funds that were expended to pay claims to homeowners who responsibly maintained flood insurance coverage when their homes were hit by these catastrophic storms. In other words, **the NFIP's current debt is the direct result of Congressional design and it is time that Congress takes responsibility for it.**

The NFIP has introduced several increases in fees in recent years to build back from these losses. However, the most recent financial reporting on the NFIP shows that all Reserve Fund collections are running less than projected due to a substantial decrease in the number of policies-in-force. The largest drop in take-up rates occurred among the policies with the highest premiums.² This suggests that **recent increases in NFIP premiums have caused premiums to become unaffordable for many policyholders.**

Further, the Federal Emergency Management Agency (FEMA) and the Government Accountability Office (GAO) agree that the NFIP is unlikely to be able to repay this debt even under the most favorable future conditions. In its FY 2013 annual report to Congress, FEMA clearly stated that the NFIP cannot make significant, if any, reductions to the current level of borrowing even if all NFIP policyholders paid full-risk premiums.³ In a January 2014 report on the NFIP, the GAO stated that “NFIP is unlikely to be able to repay this debt in the near future, if

¹ FEMA, “Semi-Annual NFIP Debt Repayment Progress Report,” October 23, 2015

² FEMA, “Quarterly NFIP Reserve Fund Report,” December 1, 2015

³ FEMA, “FY 2013 Report to Congress, Biggert-Waters Flood Insurance Reform Act of 2012,” December 17, 2014

ever.”⁴ **The longer that Congress ignores this issue, the longer that FEMA will be stuck paying substantial interest on debt that it will likely never be able to repay, which thwarts its ability to meet other Congressional objectives for the NFIP.** Even at historically low interest rates, FEMA has spent \$2,928,700,078 just to cover the interest on the program’s debt since hurricane Katrina.⁵ This is money that the federal government is spending to lend itself money, instead of building up the NFIP’s Reserve Fund for future catastrophic loss years. **It is clear that Congressional action is necessary to address the NFIP’s debt. That is why we respectfully request that you include the following language to forgive the NFIP’s debt:**

“Any repayment of amounts due from, and owned by, the Administrator as of September 30, 2016, in connection with the exercise of the authority vested to the Administrator to borrow such sums under section 1309 of the National Flood Insurance Act of 1968 (42 U.S.C. 4016) and section 15(e) of the Federal Insurance Act of 1956, as amended (42 U.S.C. 2414(e)) is hereby waived. The waived amounts may be treated as a public debt of the United States.”

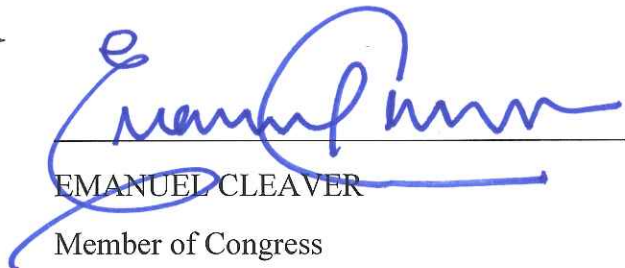
Thank you for your consideration of this important request. Please contact Lisa Peto with Ranking Member Waters’ staff with any questions about this letter.

Sincerely,



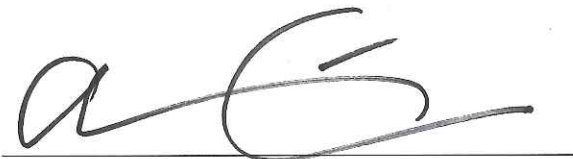
MAXINE WATERS

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⁴ GAO, “Flood Insurance: Strategies for Increasing Private Sector Involvement”, January 2014.

⁵ FEMA, “Semi-Annual NFIP Debt Repayment Progress Report,” October 23, 2015



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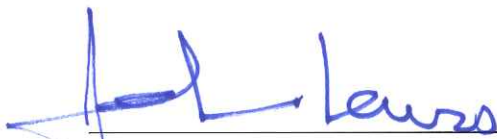
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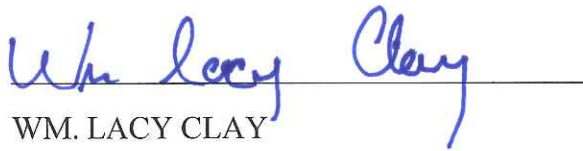
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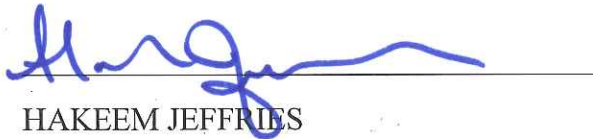
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