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Realtors® Encourage Senate To Expand National Flood Insurance Program

WASHINGTON, October 02, 2007 -

In testimony today before the Senate Banking Committee, the National Association of Realtors® expressed support for reforming and expanding the National Flood Insurance Program. The NFIP helps protect homeowners, renters and commercial property owners from losses sustained from flooding.

Since its creation, the NFIP has helped reduce the escalating costs of repairing flood-related damage to homes, buildings and contents in participating communities. “A strong real estate market is the linchpin of a healthy economy,” said NAR President Pat V. Combs, of Grand Rapids, Mich., and vice president of Coldwell Banker-AJS-Schmidt. “To ensure that real estate continues to be a good long-term investment and maintain vitality in the residential and commercial markets, certain safeguards must be in place, including federally backed flood insurance made available through the NFIP.”

The NFIP is a unique partnership between local, state and federal governments. It allows participating communities to purchase insurance as protection against flood losses in exchange for state and community floodplain management regulations that would reduce future flood damage. In exchange, the NFIP makes federally backed flood insurance available to homeowners, renters and business owners in these communities. More than 20,000 communities currently are participating in the NFIP.

Testifying on NAR’s behalf, 2006 California Association of Realtors® President Vince Malta said, “The NFIP is a win-win in that it promotes responsibility by homeowners, the community and the government. Compliance with NFIP building standards resulted in nearly 80 percent less damage annually. In addition, the cost of flood damage was reduced by nearly \$1 billion because communities are implementing sound floodplain management requirements and property owners are purchasing flood insurance.”

NAR supports reforms that protect the integrity of NFIP by fully funding existing and future obligations to policyholders,

increasing awareness of flood risks through consumer education and outreach, and ensuring that the 100-year floodplain maps are updated quickly. NAR also believes that any NFIP reform measure should include mitigation measures for severe repetitive loss properties.

NAR encouraged Congress to strike a balance between ensuring the long-term fiscal viability of the NFIP while avoiding changes that may result in market inequities and housing affordability problems, especially for low- and moderate-income homeowners and renters.

Before taking any future action to eliminate the existing subsidy, Congress must thoroughly analyze the impacts of eliminating subsidies on homeowners, renters and local economies. “Eliminating subsidies would result in higher flood premiums, increase the cost of property ownership and rents in these areas and could lead to further foreclosures and reduced property values,” said Malta.

“It is critical that flood insurance remain accessible for all individuals who own or rent property in a floodplain. We urge the Senate to move forward to enact a comprehensive policy that protects not only homeowners, but also all taxpayers, because proactive planning resulting cost savings. We look forward to working with Congress in implementing this important legislation,” Malta said.

The National Association of Realtors®, “The Voice for Real Estate,” is America’s largest trade association, representing more than 1.3 million members involved in all aspects of the residential and commercial real estate industries.

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