

By Rep. Tom Rooney

May 8, 2010

Last month, many Floridians looking to buy homes ran into an unexpected obstacle - an inability to purchase flood insurance, which is required at most closings in our state. As a result, home closings ground to a halt, leaving sellers scrambling and buyers at risk of losing out on the first-time homebuyers' tax credit that expired on April 30.

Buyers could not purchase new flood insurance policies because Congress failed to reauthorize the National Flood Insurance Program before it expired on March 28. A temporary extension of NFIP was held hostage to unrelated partisan gridlock because it was included in a larger bill filled with controversial items that Congress did not approve before adjourning for the Easter district work period. Without an extension, NFIP, which is run by the Federal Emergency Management Agency, could not issue or renew policies.

Flooding is America's most common and most damaging natural disaster, affecting homes in all 50 states. However, most private insurance companies do not offer their own flood insurance coverage, and standard homeowners' insurance does not cover flooding. Congress recognized this problem and established NFIP in 1968 so that homeowners and buyers could purchase flood insurance for their homes.

Federal law requires homes and buildings in high-risk flood areas to have flood policies in order to receive approval for federally regulated or insured mortgages.

Around 90 percent of all flood insurance policies originate with NFIP, with Floridians holding nearly 40% of all policies. Therefore, Florida suffers disproportionately when the program lapses and cannot issue new policies.

Congress finally approved a short-term NFIP extension on April 15 that included a retroactive fix for homeowners whose policies lapsed after March 28. However, this "fix" was not of much help to those who were waiting to close on properties, or who saw their mortgage applications rejected because they could not purchase flood insurance. The NFIP delay was an unfortunate and unnecessary setback on the path to homeownership for many Floridians, and it may have cost some of them the chance to take advantage of the first-time homebuyer tax credit before it expired. The delay also hurt sellers, many of whom had waited years to find a buyer only to see sales fall through.

To prevent delays from occurring again - the program has lapsed twice since February - Congress needs to pass a long-term NFIP reauthorization. Unfortunately, since the program expired in September 2008, Congress has merely passed one short-term extension after another. Homebuyers, sellers, realtors, insurers and lenders need the stability and predictability of a true long-term reauthorization of the program. If homebuyers cannot know whether the flood insurance they need to apply for their mortgages will be available when they need it, our struggling housing market cannot recover.

Flood insurance critical to Florida's housing market recovery

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I am working with fellow members of Florida's Congressional delegation, on a bipartisan basis, to complete a long-term reauthorization of the National Flood Insurance Program. A long-term reauthorization will bring much-needed stability to the housing market, put more Floridians on the path to home ownership, and help ensure that when a flood strikes, families have the coverage they need.