

**SECTION BY SECTION OF H.R. 3121
(as reported by the Committee)**

Section 1 – Title

Flood Insurance Reform and Modernization Act of 2007.

Section 2 – Findings and Purposes

This section sets forth certain findings regarding the need for reform of and increased borrowing authority for the national flood insurance program. This section also establishes the purposes of the Act.

Section 3 – Study regarding status of pre-FIRM properties and mandatory purchase requirement for natural 100-year floodplain and non-federally related loans

This section requires the GAO to conduct a study on the effects of extending the mandatory flood insurance purchase requirement to all properties located in a flood hazard area, whether or not the mortgage on the property is federally-backed. This section also requires the GAO to study coverage for pre-FIRM properties (properties built before 1974 that receive subsidized insurance rates), as well as the effects of extending the mandatory purchase requirement to properties protected by dams and levees. In addition, the GAO must address, in the study, the extent to which eligibility standards for pre-FIRM properties were inconsistent and resulted in disparities in coverage among such properties and their owners. This report is to be submitted to the Congress no later than 6 months from the enactment of this Act.

Section 4 – Phase in of actuarial rates for nonresidential properties and non-primary residences

This section requires the phase-in of actuarial rates (or the phase-out of subsidized rates), for pre-FIRM properties that are nonresidential properties and non-primary residences beginning on January 1, 2011. The phase-in does not apply to multifamily rental properties or rentals that are the primary residence of the tenant.

Section 5 – Exception to waiting period for effective date of policies

This section makes flood insurance coverage effective immediately when a policy is purchased within 30 days of a home purchase or transfer of the property.

Section 6 – Enforcement (increasing penalties for lender non-compliance)

This section increases to \$2,000 the fine levied against federally-regulated lending institutions for each failure to enforce mandatory flood insurance purchase requirements

and increasing the year cap on fines for institutions to \$1 million. However, this cap will not apply to institutions that were assessed a penalties of \$1 million in any 3 of the last 5 years. This section also contains a “safe harbor” for lending institutions that make a good faith effort to comply with mandatory flood insurance purchase requirements, or if such a violation is nonmaterial in nature.

Section 7 – Multiperil coverage for flood and windstorm

This section incorporates the text of H.R. 920. It expands the NFIP to provide for an optional multiple peril policy to cover wind and flood risk-in-one policy. This section requires premiums for the new optional coverage to be risk-based and actuarially sound, so that the program would be required to collect enough premiums to pay claims. (Note that actuarial rates for the NFIP are not the same as actuarial rates for private market-based insurance. Under the NFIP, the actuarial rate has been less than would be charged for private, market-based flood insurance coverage.)

Under this section, multiple peril policies would be available where local governments agree to adopt and enforce building codes and standards designed to minimize wind damage, in addition to the existing flood program requirements for flood plain management. Any community participating in the flood insurance program could opt into the multiple peril option. The multiple peril residential policy limit is \$500,000 for the structure and \$150,000 for contents and loss of use. Nonresidential properties could be covered to \$1,000,000 for structure and \$750,000 for contents and business interruption.

The NFIP may not offer new policies or renew existing polices during any time the NFIP borrows money to pay multiple peril policy claims.

The effective date for this section is June 30, 2008.

Section 8 -- Maximum coverage limits

This section increases the maximum coverage limits for flood insurance policies. New coverage limits would be \$335,000 for residences; \$135,000 for residential contents; and \$670,000 for businesses and churches.

Section 9 – Coverage for additional living expenses, basement improvements, business interruption, and replacement cost of contents

This section requires FEMA to include in each renewal or new contract for flood insurance at least \$1,000 for living expenses following a flood event. This section also requires FEMA to provide actuarially-priced, optional residential basement coverage for flood losses. Actuarially-priced business interruption coverage for flood losses is also to be provided by FEMA for commercial properties (including multifamily rental properties). This section also requires FEMA to provide actuarially-priced contents coverage for both residential and commercial properties.

Section 10 – Notification to tenants of availability of contents

This section requires FEMA to provide copies of the notice document to insured landlords, in order to strongly encourage landlords to provide tenants with this notice, so that tenants may be informed about the property's location in a flood zone, the availability of flood insurance coverage, and how to purchase the coverage. This provision does not include penalties in the event that FEMA does not comply with this section or a landlord fails to distribute the notice.

Section 11 – Increase in annual limitation of premium increases

This section increases the annual limitation on premium increases from 10 percent to 15 percent.

Section 12 – Increase in Borrowing Authority

This section increases the national flood insurance program's borrowing authority to \$21.5 billion from the current \$20.775 billion. This section also requires that FEMA submit a report to Congress, not later than 6 months after enactment of this legislation, on how it intends to repay, within 10 years, all funds borrowed under this increased authority.

Section 13 – FEMA participation in State disaster claims mediation programs

This section requires FEMA, upon request of a state insurance commissioner, to participate in a state disaster claims mediation program for the non-binding mediation of flood insurance claims. However, this section stipulates that participation in the mediation program will not affect contract or tort liability, or the exclusive jurisdiction of the Federal courts to hear disputes involving the NFIP. Further, this section does not require the NFIP to pay additional mediation fees upon participation. This section also requires the Standard Flood Insurance Policy as well as the appeals process established under the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004, and related institutions, to apply exclusively, instead of this section, in the case of a natural catastrophe that results in flood damage claims under the NFIP, but does not result in any loss covered by a personal lines residential property insurance policy.

Section 14 – FEMA annual report on insurance program

This section requires FEMA to report annually to Congress on the financial status of the National Flood Insurance Program.

Section 15 – Flood insurance outreach

This section creates a competitive grant program for communities that encourage homeowners to purchase flood insurance, where those homeowners are not legally required to do so, and in general, educate all residents about the benefits of flood insurance. This section also requires FEMA to report to Congress within 60 days of

enactment a description of its marketing and outreach efforts to educate consumers on the benefits of obtaining flood insurance.

Section 16 – Grants for direct funding of mitigation activities for individual repetitive claims properties

This section provides a technical fix from 2004 flood insurance legislation by permitting mitigation grants for repetitive loss properties to go directly to property owners.

Section 17 – Extension of Pilot Program for Mitigation of Severe Repetitive Loss Properties

This section amends section extends the pilot program, which was created in the 2004 flood insurance legislation, through September 30, 2012.

Section 18 – Flood Mitigation Assistance Program

This section provides a technical fix from 2004 flood insurance legislation by adding demolition and rebuilding as an allowable mitigation activity under the Flood Mitigation Assistance program. In some cases demolition and rebuilding is the most cost effective mitigation option.

Section 19 – GAO study of methods to increase flood insurance program participation by low-income families

This section requires the GAO to study methods to increase participation of low-income families in the flood insurance program.

Section 20 – Notice of availability of flood insurance and escrow in RESPA Good Faith Estimate

This section requires disclosure in the RESPA good faith estimate about the availability of flood insurance and clarifies that the disclosure state that flood insurance is available of whether you are in a flood zone or not.

Section 21 – Reiteration of FEMA responsibilities under 2004 Reform Act

This section requires FEMA, within 90 days of enactment, to establish an appeals process for claims. FEMA must continue to work with state regulators and the industry to implement minimum agent training requirements. FEMA must report to Congress after 6 months on status of implementing all 2004 reforms.

Section 22 – Ongoing Modernization of Flood Maps and Elevation Standards

This section makes the map modernization program ongoing; requires the mapping of the 500-year floodplain (but such 500-year mapping may not delay the mapping of a

community's 100-year floodplain map); gives priority in updating maps to areas affected by hurricanes Katrina and Rita, creates a responsibility for FEMA to educate communities about map updates; establishes the trigger for pre-FIRM subsidy phase out of second and vacation homes as January 1, 2011. This provision also changes mapping authorization of appropriations from \$300 million to \$400 million and makes the Technical Mapping Advisory Council ongoing (and adds a real estate professional to the Council). The section also provides that if a map must be updated to reflect changes to protective structures under the jurisdiction of the Federal Government, the cost of such update will not be at the expense of the community.

Section 23 – Notification and appeal of map changes; notification of establishment of flood elevations:

This section requires FEMA to provide map change information to affected communities, and requires a notice in local newspapers of map changes, a description of the appeals process, and contact information for an appeal.

Section 24 - Clarification of replacement cost provisions, forms, and policy language

This section requires FEMA, within 3 months of enactment, to issue regulations and revise materials to provide a plain language clarification of replacement cost coverage; revise flood insurance policies to be consistent with language in homeowners policies; and require the use of plain language forms developed pursuant to the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004.

Section 25 – Authorization of additional FEMA staff

This section authorizes necessary funds be appropriated for the Director of FEMA to employ additional staff necessary to carry out all of the responsibilities required by this bill.

Section 26 – Extension of deadline for filing proof of loss

This section extends the deadline for filing the proof of loss associated with a flood insurance claim from 60 days to 180 days.

Section 27– 5-year extension of program

This section reauthorizes the NFIP for five years through 2013. The current authorization of the NFIP expires in 2008.

Section 28 – Report of inclusion of building codes in floodplain management criteria

This section requires FEMA to conduct a study and report to Congress not later than six months after enactment regarding the use of national recognized building codes as part of floodplain management.

Section 29 – Study of economic effects of charging actuarially-based premium rates for pre-firm structures

This section requires FEMA to study the economic effects of removing the subsidy for preFIRM structures that are non-primary residences and non-residential (pursuant to Section 4), and to report to Congress within 12 months of enactment.