



Consumer Federation of America

February 25, 2014

The Honorable John A. Boehner
Speaker
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
235 Cannon House Office Building
Washington, DC 20515

The Honorable Eric Cantor
Majority Leader
303 Cannon House Office Building
Washington, DC 20515

The Honorable Steny Hoyer
1705 Longworth House Office Building
Washington, D.C. 20515-2005

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

H.R. 3370 as amended, Homeowner Flood Insurance Affordability Act – OPPOSE

Dear Speaker Boehner, Leader Cantor, Leader Pelosi, Representative Hoyer, Chairman Hensarling and Ranking Member Waters:

The Consumer Federation of America urges you to vote against H.R. 3370 Homeowner Flood Insurance Affordability Act of 2014 as amended, to be considered in the House tomorrow. The bill would repeal key portions of the Biggert-Waters Flood Insurance Reform Act of 2012.

We believe that large majorities in both the House and Senate favor legislation that not only moves the flood insurance program toward a risk-based, actuarially sound system, but also adequately protects homeowners from huge, unaffordable rate increases.

H.R. 3370 as amended does not achieve either of these goals. Instead, it would sanction unfair and insufficient subsidies, regardless of need, in perpetuity.

We also urge you to consider an alternative approach that would protect existing and future homeowners from these unaffordable rate increases while progressively eliminating federal subsidies that are both costly and unfair to taxpayers. This solution would limit all future annual premium increases to a certain percentage of current premiums, perhaps 20 percent. This limitation would adhere to the buildings, not homeowners, so that when flood maps are revised in the future, current homeowners and future purchasers would be protected from sharp rate increases. If it were felt that this rate protection was too generous for homes currently receiving

substantial rate subsidies, after a period of time, perhaps five or ten years, the rates could be adjusted upwards until the structure reaches the full risk premium level.

These reasonable rate increases should take effect upon enactment of a new law, yet they do not obviate the need for a careful study of the economic impacts of rate adjustments mandated by Biggert Waters. Among other benefits, this study can help inform Congressional consideration of any future adjustments in rates or rate schedule. We continue to believe that FEMA, together with the National Academy of Sciences, can carry out the most accurate and credible study, but that study must be adequately funded.

Biggert-Waters commendably went a long way to eliminate flood insurance program subsidies that were costly, uneconomic, and riddled with unwarranted preferences. However, it did not fully anticipate the extent of rate shock on unsuspecting homeowners who are now beginning to realize its financial implications. In addressing this rate shock, we urge you to reject the creation of new costly and unfair subsidies and, instead, create a simpler, fairer, more humane transition to a truly risk-based system.

Yours truly:

J. Robert Hunter
Director of Insurance
(703) 528-0062

cc: Members of the House of Representatives