SECTION-BY-SECTION ANALYSIS OF THE FLOOD INSURANCE REFORM PRIORITIES ACT OF 2010

Sec. 1 – Short title and table of contents

This Act may be cited as the “Flood Insurance Reform Priorities Act of 2010.”

Sec. 2 – Findings and Purposes

This section sets forth findings regarding the need for reform of the NFIP and establishes the purposes of the Act.

Sec. 3 – Extension of National Flood Insurance Program

This section reauthorizes the NFIP for five years through 2015. The current authorization of the NFIP expires in 2010. This section also extends the Severe Repetitive Loss Pilot program, which was created in the 2004 flood insurance legislation, through September 30, 2015.

Sec. 4 – Maximum coverage limits

This section increases the maximum coverage limits for flood insurance policies. New coverage limits are $335,000 (up from $250,000) for residences; $135,000 (up from $100,000) for residential contents; and $670,000 (up from $500,000) for nonresidential properties.

Sec. 5- Phase-in of Actuarial Rates for Nonresidential Properties and Non-Primary Residence

This section requires the phase-in of actuarial rates (or the phase-out of subsidized rates), for commercial and non-primary residential pre-FIRM properties. The phase-in does not apply to multifamily rental properties or rentals that are the primary residence of a tenant.

Sec. 6- 5-year Delay in Effective Date of Mandatory Purchase Requirement for New Flood Hazard Areas

This section delays for five years the mandatory flood insurance purchase requirement for areas newly designated as Special Flood Hazard Areas. To be eligible state and local governments must have plans in place and provide flood crisis information to residents. This delay would not delay implementation of updated flood maps, notification of flood hazards, availability of flood insurance coverage, or eligibility for mitigation assistance.
Sec. 7- 5-Year Phase-in of Flood Insurance Rates for Newly Mapped Areas

This section would phase in full-risk rates for areas newly designated as Special Flood Hazard Areas. The rate phase-in would be 20 percent per year for five years after end of mandatory flood insurance purchase requirement delay (See, Sec. 6).

Sec. 8 – Increase in Annual Limitation on Premium Increases

This section increases the annual limitation on premium increases from 10 percent to 20 percent.

Sec. 9 – Consideration of Construction, Reconstruction, and Improvement of Flood Protection Systems in Determination of Flood Insurance Rates

This section requires FEMA to treat state or locally funded flood control projects equally with federally funded projects in NFIP regulations regarding flood insurance mapping and rating.

Sec. 10 – Treatment of Certain Flood Protection Projects

This section directs FEMA not to impose mandatory flood insurance rates and to only charge premium rates for communities constructing a flood protection system if the community relied on data and designs provided by a Federal agency to build such system and through no design default and no other fault of the community’s, FEMA has determined that the system will not meet standards for accreditation and reduced flood insurance rates.

Sec. 11 – 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 purchase or transfer of the property.

Sec. 12 – Enforcement

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 annual 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 not material in nature.

Sec. 13- Notification to Tenants of Availability of Contents Coverage
This section requires FEMA to require landlords to inform tenants about their 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 a landlord fails to distribute the notice.

Sec. 14 – 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.

Sec. 15 – Notice of Availability of Flood Insurance and Escrow in RESPA Good Faith Estimate

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

Sec. 16 – 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.

Sec. 17 – Plan to Verify Maintenance of Flood Insurance on Mississippi and Louisiana Properties Receiving Emergency Supplemental Funds

This section directs FEMA and HUD to develop a plan to verify that the recipients of Homeowner Assistance Grants in Mississippi and Road Home Grants in Louisiana, funded by HUD Community Development Block Grants, maintain flood insurance on their properties as required as a condition of the grants.

Sec. 18 – Flood Insurance Advocate

This section would create the position of National Flood Insurance Advocate in FEMA which would transmit a comprehensive report to Congress about the initiatives undertaken by FEMA to improve the flood insurance program for insureds, significant burdens placed on the FEMA or insureds by current law or regulation, and any other data the Advocate deems necessary. The
Advocate will be funded by up to $5,000,000 from the National Flood Insurance Fund.

Sec. 19 – Study regarding 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.

Sec. 20 – 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.

Sec. 21 – Report on 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 including building codes in floodplain management criteria.