



National Association of Federal Credit Unions
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B. Dan Berger
Executive Vice President
Government Affairs

September 7, 2011

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington DC 20510

The Honorable Richard Shelby
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington DC 20510

RE: Markup of the “Flood Insurance Reform and Modernization Act of 2011”

Dear Chairman Johnson and Ranking Member Shelby:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our nation’s federal credit unions, I write today in conjunction with the markup of the *Flood Insurance Reform and Modernization Act of 2011*.

Congress has allowed the National Flood Insurance Program (NFIP) to lapse four times over the last several years, opting for short-term extensions rather than a long-term solution. Without action, the NFIP authorization will again expire on September 30, 2011. These lapses create a high level of uncertainty, leaving millions of American families who rely on flood insurance wondering if they will be covered in the event of a disaster. This is especially unacceptable to our nation’s credit unions and their members given that the housing market is so vital to our economic recovery. As flooding is the most common natural disaster in the United States and more than 5.6 million policyholders depend on the NFIP as their main source of protection, it is more important now than ever for Congress to pass a long-term reauthorization. The version passed by the House in July would accomplish this by reauthorizing the NFIP for five years, providing the certainty necessary for the continued recovery of our real estate, insurance and financial markets. We are pleased that the draft before the Committee would do the same.

We do have concerns about language in the draft that would require all lenders to establish mandatory escrow accounts for NFIP premiums. There are significant costs associated with establishing escrow accounts, especially for small lenders that may not have other escrow accounts. Many small lenders, in rural and underserved areas, are concerned that this could drive

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them out of the mortgage business and ultimately limit consumers' options. We strongly urge you to remove this mandatory escrow requirement from any final bill.

NAFCU and our members would also like to see a provision added that would clarify existing law by explicitly allowing lenders to collect premiums for force-placed flood insurance during the 45-day notification period if borrowers let policies lapse. This is an issue of fairness given that credit unions participating in the NFIP continue to assume the risk of property damage during this delinquency notification window. Such a provision was included with broad bipartisan support in the flood insurance bill that passed the House earlier this year.

Finally, we would urge that any final bill ensure that annual premium rates are not raised too quickly, as that could lead to attrition in the program. The version before the Committee seems to take a step in the right direction with its phased-in premium increases.

We thank you and the Committee for your important work to reform and reauthorize the NFIP. We appreciate the opportunity to voice our concerns and look forward to working with you as the legislation progresses. Should you have any questions or need additional information, please do not hesitate to contact myself or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at 703-842-2204.

Sincerely,



B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the Committee