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Memo

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Date: September 26, 2007

To: Members of the U.S. House of Representatives

From: Floyd Stoner, Executive Director, Congressional Relations & Public Policy, ABA

Re: Support for H.R. 3121, the Flood Insurance Reform and Modernization Act of 2007

I am writing on behalf of the members of the American Bankers Association (ABA) to express our support for H.R. 3121, the Flood Insurance Reform and Modernization Act of 2007, scheduled to be considered by the full House later this week.

Since 1968, nearly 20,000 communities across the United States and its territories have participated in the National Flood Insurance Program (NFIP) by adopting and enforcing floodplain management ordinances to reduce future flood damage. In exchange, the NFIP makes federally backed flood insurance available to homeowners, renters, and business owners in these communities.

Losses from three large hurricanes (Katrina, Rita, and Wilma) in 2005 have left the NFIP more than \$23 billion in debt to the Treasury. There is no way that the NFIP can reasonably repay this debt and provide payment for future losses under the current rate structure. The likelihood of additional flood events and resulting claims against the program make reforms vital.

This legislation would require the Federal Emergency Management Agency (FEMA) to update the flood maps, and it would provide a phase-in of actuarial rates for commercial properties and non-primary residences. ABA supports these efforts as being necessary to sustain the program over the long term.

H.R. 3121 also would increase the penalties for non-compliance in placing flood insurance, from \$350 per violation to \$2000 per violation. We are pleased that the legislation would provide a "safe harbor" for an institution which is in non-compliance due to circumstances beyond its control (such as outdated mapping by FEMA). We also are pleased that the legislation would provide institutions with an opportunity to correct non-compliance before a penalty is assessed and place a reasonable limit for total penalties per institution/per year.

We urge you to support this important legislation.