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January 27, 2022

Deanne Criswell
Administrator
Federal Emergency Management Agency
3801 Nebraska Ave, NW
Washington, D.C. 20016

RE: Request for Information on the National Flood Insurance Program's Floodplain Management Standards for Land Management and Use, and an Assessment of the Program's Impact on Threatened and Endangered Species and Their Habitats; FEMA-2021-0024

Dear Administrator Criswell:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on the Federal Emergency Management Agency's (FEMA) request for information (RFI) regarding the National Flood Insurance Program's (NFIP) floodplain management standards for land management and use regulations. Consistent updates to and effective enforcement of the minimum floodplain management standards are critical to help mitigate flood risk and excessive widespread losses that could potentially threaten the long-term financial sustainability of the NFIP.

ICBA has been a long supporter of the NFIP, which continues to provide critical assistance to community banks by offering affordable and reliable flood insurance for both residential and commercial properties securing both consumer and business loans. The long-term sustainability of the program necessitates fiscally sound management standards and policies that are

¹ The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.

With nearly 50,000 locations nationwide, community banks constitute roughly 99 percent of all banks, employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding nearly \$5.9 trillion in assets, over \$4.9 trillion in deposits, and more than \$3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

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consistently updated to account for flood risk and losses. This may include potential adjustments to flood elevation requirements, premium increases based on repetitive losses, and varying standards based on structure characteristics. ICBA also generally supports efforts that expand flood insurance coverage to more properties, which would provide risk diversity and increase NFIP premium revenue while lowering premium costs in vulnerable areas.

Background

Congress created the NFIP in 1968 to help property owners protect themselves financially from the risk of flooding at a time when flood insurance was not readily available in the private market.

The NFIP, together with certain private insurance companies, sells flood insurance to homeowners, renters, and business owners at subsidized rates in participating communities that agree to adopt and enforce ordinances that meet or exceed FEMA requirements to reduce the risk of flooding. These requirements are meant to avoid loss of life, damage to property, excessive taxpayer burden, and the countless economic and social hardships that often occur during and after a flood event. The specific requirements that a community must adopt depend on the type and likelihood of a flood hazard affecting a community.

Homes and businesses located in Special Flood Hazard Areas (SFHAs) and secured by federally backed loans are required to maintain flood insurance on the property for the life of the mortgage. This mandate is enforced by the lenders and their federal regulators.

ICBA Comments

ICBA has long advocated for a widely available and affordable NFIP program that is fiscally and actuarially sound. This requires floodplain management standards and use regulations that are regularly updated to be consistent with current understandings of flood risk mitigation practices. Enacting such standards is necessary to protect communities from the devastating effects of flooding while improving affordability with an expanded risk pool and increasing revenue and program resiliency.

Below are some suggestions and comments reflecting the views of ICBA community bank members.

1. Flood Elevation Requirements:

The RFI asks stakeholders whether FEMA should update flood elevation requirements by setting higher freeboard levels. In general, higher freeboard levels would reduce losses during a flood event and should therefore result in reduced insurance premiums for elevated properties. However, it would be helpful if FEMA updated its flood mapping to determine general flood elevation requirements in relevant geographic areas. Each property within the SFHA should then be able to accept the base flood elevation or adjust their specific required elevation based on a survey of that property.

In addition, the RFI asks whether freeboard elevation has any impact on the market value of properties in SFHAs, especially compared to the costs of constructing the elevation. Theoretically, such mitigation should have a positive impact on property values, but this likely depends on the geographical location. More empirical data needs to be collected to determine if freeboard elevation increases property values enough to offset the costs.

2. Higher Standards for Certain Structures/Repetitive Losses

ICBA suggests that FEMA develop higher standards for certain structures and facilities that perform critical actions and that have even a slight chance of flooding. These standards should reflect concerns based on the use, occupancy, and operational size of the structure or facility. In general, premiums and standards need to reflect the likelihood and extent of possible flood damage.

In terms of regulatory changes for properties with repetitive losses, ICBA suggests that FEMA offer incentives for mitigation before repetitive losses occur. Premium reductions for voluntary mitigation actions represents one option. Alternatively, properties that are continually rebuilt in flood hazard areas, without further mitigation, often indicates that there is a higher risk. Higher premiums and reduced coverage may be appropriate in these instances.

3. Expanding NFIP Coverage

One of the central issues in the RFI relates to expanding the SFHAs based on the annual chance of a flood in a geographical area. The RFI proposes expanding the SFHA definition from the 1 percent annual chance flood area to a 0.2 percent or a 0.1 percent area. An expansion could also include areas adjacent to SFHAs that experience recurring flooding events but are not presently subject to the minimum floodplain management standards.

ICBA recognizes that these suggestions would significantly increase the number of properties required to have flood insurance. We encourage FEMA to conduct a detailed study that determines where it is appropriate to expand SFHAs. Floods are a potential threat for virtually any property owner, no matter where they are located. FEMA's own data shows that at least 20 percent of NFIP claims are filed by individuals outside high-risk areas, receiving one-third of disaster assistance for flooding.²

Furthermore, expanding the insurance pool effectively spreads the cost of the program to a broader segment of properties and provides more risk diversity and an increase in premiums. ICBA suggests that such an expansion is necessary for the sound operation of the NFIP going forward. Most importantly, it will lower the premiums for those in vulnerable areas and most likely to experience a devastating flood event.

ICBA commends FEMA for proposing many of these changes and its public outreach on this important issue. If you have any questions regarding the content of this letter, please contact the undersigned at tim.roy@icba.org.

Sincerely,

Tim Roy
AVP– Housing Finance Policy

² https://www.fema.gov/sites/default/files/2020-07/fema_NFIP_National-Flood-Insurance-Program-Fact-Sheet_May-2016.pdf