To amend the Flood Disaster Protection Act of 1973 to require that certain buildings and personal property be covered by flood insurance, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 2015

Mr. Ross (for himself and Mr. Murphy of Florida) introduced the following bill; which was referred to the Committee on Financial Services

MARCH --, 2016

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on June 25, 2015]
A BILL

To amend the Flood Disaster Protection Act of 1973 to require that certain buildings and personal property be covered by flood insurance, and for other purposes.
Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Flood Insurance Market
Parity and Modernization Act”.

SEC. 2. PRIVATE FLOOD INSURANCE.

(a) MANDATORY PURCHASE REQUIREMENT.—

(1) AMOUNT AND TERM OF COVERAGE.—Section
102 of the Flood Disaster Protection Act of 1973 (42
U.S.C. 4012a) is amended by striking “Sec. 102. (a)”
and all that follows through the end of subsection (a)
and inserting the following:

“SEC. 102. (a) AMOUNT AND TERM OF COVERAGE.—

After the expiration of sixty days following the date of en-
actment of this Act, no Federal officer or agency shall ap-
prove any financial assistance for acquisition or construc-
tion purposes for use in any area that has been identified
by the Administrator as an area having special flood haz-
ards and in which the sale of flood insurance has been made
available under the National Flood Insurance Act of 1968,
unless the building or mobile home and any personal prop-
erty to which such financial assistance relates is covered
by flood insurance: Provided, That the amount of flood in-
surance (1) in the case of Federal flood insurance, is at
least equal to the development or project cost of the building,
mobile home, or personal property (less estimated land cost), the outstanding principal balance of the loan, or the maximum limit of Federal flood insurance coverage made available with respect to the particular type of property, whichever is less; or (2) in the case of private flood insurance, is at least equal to the development or project cost of the building, mobile home, or personal property (less estimated land cost), the outstanding principal balance of the loan, or the maximum limit of Federal flood insurance coverage made available with respect to the particular type of property, whichever is less: Provided further, That if the financial assistance provided is in the form of a loan or an insurance or guaranty of a loan, the amount of flood insurance required need not exceed the outstanding principal balance of the loan and need not be required beyond the term of the loan. The requirement of maintaining flood insurance shall apply during the life of the property, regardless of transfer of ownership of such property.”.

(2) REQUIREMENT FOR MORTGAGE LOANS.—

Subsection (b) of section 102 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(b)) is amended—

(A) by striking the subsection designation and all that follows through the end of paragraph (5) and inserting the following:
“(b) REQUIREMENT FOR MORTGAGE LOANS.—

“(1) REGULATED LENDING INSTITUTIONS.—Each Federal entity for lending regulation (after consultation and coordination with the Financial Institutions Examination Council established under the Federal Financial Institutions Examination Council Act of 1974) shall by regulation direct regulated lending institutions not to make, increase, extend, or renew any loan secured by improved real estate or a mobile home located or to be located in an area that has been identified by the Administrator as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, unless the building or mobile home and any personal property securing such loan is covered for the term of the loan by flood insurance: Provided, That the amount of flood insurance (A) in the case of Federal flood insurance, is at least equal to the outstanding principal balance of the loan or the maximum limit of Federal flood insurance coverage made available with respect to the particular type of property, whichever is less; or (B) in the case of private flood insurance, is at least equal to the outstanding principal balance of the loan or the maximum limit of Federal flood insurance coverage made available,
with respect to the particular type of property, whichever is less.

“(2) Federal agency lenders.—

“(A) In general.—A Federal agency lender may not make, increase, extend, or renew any loan secured by improved real estate or a mobile home located or to be located in an area that has been identified by the Administrator as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968, unless the building or mobile home and any personal property securing such loan is covered for the term of the loan by flood insurance in accordance with paragraph (1). Each Federal agency lender may issue any regulations necessary to carry out this paragraph. Such regulations shall be consistent with and substantially identical to the regulations issued under paragraph (1).

“(B) Requirement to accept flood insurance.—Each Federal agency lender shall accept flood insurance as satisfaction of the flood insurance coverage requirement under subparagraph (A) if the flood insurance coverage meets
the requirements for coverage under that sub-
paragraph.

“(3) Government-sponsored enterprises
for housing.—The Federal National Mortgage Asso-
ciation and the Federal Home Loan Mortgage Cor-
poration shall implement procedures reasonably de-
signed to ensure that, for any loan that is—

“(A) secured by improved real estate or a
mobile home located in an area that has been
identified, at the time of the origination of the
loan or at any time during the term of the loan,
by the Administrator as an area having special
flood hazards and in which flood insurance is
available under the National Flood Insurance
Act of 1968, and

“(B) purchased or guaranteed by such enti-
ty,

the building or mobile home and any personal prop-
erty securing the loan is covered for the term of the
loan by flood insurance in the amount provided in
paragraph (1). The Federal National Mortgage Asso-
ciation and the Federal Home Loan Mortgage Cor-
poration shall accept flood insurance as satisfaction
of the flood insurance coverage requirement under
paragraph (1) if the flood insurance coverage pro-
vided meets the requirements for coverage under that paragraph and any requirements established by the Federal National Mortgage Association or the Federal Home Loan Corporation, respectively, relating to the financial strength of private insurance companies from which the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation will accept private flood insurance, provided that such requirements shall not affect or conflict with any State law, regulation, or procedure concerning the regulation of the business of insurance.

“(4) APPLICABILITY.—

“(A) EXISTING COVERAGE.—Except as provided in subparagraph (B), paragraph (1) shall apply on the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994.

“(B) NEW COVERAGE.—Paragraphs (2) and (3) shall apply only with respect to any loan made, increased, extended, or renewed after the expiration of the 1-year period beginning on the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1994. Paragraph (1) shall apply with respect to any loan made, increased, extended, or renewed
by any lender supervised by the Farm Credit
Administration only after the expiration of the
period under this subparagraph.

“(C) CONTINUED EFFECT OF REGULA-
TIONS.—Notwithstanding any other provision of
this subsection, the regulations to carry out
paragraph (1), as in effect immediately before
the date of enactment of the Riegle Community
Development and Regulatory Improvement Act
of 1994, shall continue to apply until the regula-
tions issued to carry out paragraph (1) as
amended by section 522(a) of such Act take ef-
fect.

“(5) RULE OF CONSTRUCTION.—Except as other-
wise specified, any reference to flood insurance in this
section shall be considered to include Federal flood in-
surance and private flood insurance. Nothing in this
subsection shall be construed to supersede or limit the
authority of a Federal entity for lending regulation,
the Federal Housing Finance Agency, a Federal agen-
cy lender, the Federal National Mortgage Association,
or the Federal Home Loan Mortgage Corporation to
establish requirements relating to the financial
strength of private insurance companies from which
the entity or agency will accept private flood insur-
ance, provided that such requirements shall not affect
or conflict with any State law, regulation, or proce-
dure concerning the regulation of the business of in-
surance.”; and

(B) by striking paragraph (7) and inserting
the following new paragraph:

“(7) DEFINITIONS.—In this section:

“(A) FLOOD INSURANCE.—The term ‘flood
insurance’ means—

“(i) Federal flood insurance; and

“(ii) private flood insurance.

“(B) FEDERAL FLOOD INSURANCE.—the
term ‘Federal flood insurance’ means an insur-
ance policy made available under the National
Flood Insurance Act of 1968 (42 U.S.C. 4001 et
seq.).

“(C) PRIVATE FLOOD INSURANCE.—The
term ‘private flood insurance’ means an insur-
ance policy that—

“(i) is issued by an insurance com-
pany that is—

“(I) licensed, admitted, or other-
wise approved to engage in the busi-
ness of insurance in the State in which
the insured building is located, by the insurance regulator of that State; or

“(II) eligible as a nonadmitted insurer to provide insurance in the home State of the insured, in accordance with sections 521 through 527 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (15 U.S.C. 8201 through 8206);

“(ii) is issued by an insurance company that is not otherwise disapproved as a surplus lines insurer by the insurance regulator of the State in which the property to be insured is located; and

“(iii) provides flood insurance coverage that complies with the laws and regulations of that State.

“(D) STATE.—The term ‘State’ means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Northern Mariana Islands, the Virgin Islands, and American Samoa.”.

(b) EFFECT OF PRIVATE FLOOD INSURANCE COVERAGE ON CONTINUOUS COVERAGE REQUIREMENTS.—Sec-
tion 1308 of the National Flood Insurance Act of 1968 (42 U.S.C. 4015) is amended by adding at the end the following:

“(n) **EFFECT OF PRIVATE FLOOD INSURANCE COVERAGE ON CONTINUOUS COVERAGE REQUIREMENTS.**—For purposes of applying any statutory, regulatory, or administrative continuous coverage requirement, including under section 1307(g)(1), the Administrator shall consider any period during which a property was continuously covered by private flood insurance (as defined in section 102(b)(7) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(b)(7))) to be a period of continuous coverage.”.