



Summary: H.R. 3370 – The Homeowner Flood Insurance Affordability Act

- **Reinstates Grandfathering** - This bill permanently repeals Section 207 of the Biggert-Waters Act, meaning that grandfathering is reinstated. All post-FIRM properties built to code at the time of construction will have protection from rate spikes due to new mapping. For example, if you built to +2 Base Flood Elevation, you stay at +2, regardless of new maps. Also importantly, the grandfathering stays with the property, not the policy.
- **Permanently Removes the Sales Trigger** – This bill removes the policy sales trigger, which under Biggert-Waters would cause a rate spike upon sale of a property. The new purchaser is treated the same as the current property owner.
- **Caps Annual Rate Increases at 15%** – This bill decreases FEMA’s authority to raise premiums. The bill prevents FEMA from increasing premiums within a single national property class beyond a 15% average a year, with an individual property cap of 18% a year. Pre Biggert-Waters, the class average cap was 10%. Until this bill (Post Biggert-Waters), the class average cap is 20%. The bill also requires a 5% minimum annual increase on pre-FIRM primary residence policies that are not at full risk. The updated legislation also states “FEMA shall strive to minimize the number of policies with premium increases that exceed 1% of the total coverage of the policy” (e.g., 1% of \$250,000 = \$2,500).
- **Refunds policyholders who purchased pre-FIRM homes after Biggert-Waters (7/6/12) and were subsequently charged higher rates.**
- **Allows for Annual Surcharges** – This legislation applies an annual surcharge of \$25 for primary residences and \$250 for second homes and businesses, until subsidized policies reach full risk rates. All revenue from these assessments would be placed in the NFIP reserve fund, which was established to ensure funds are available for meeting the expected future obligations of the NFIP.
- **Funds the Affordability Study and Mandates Completion** – This legislation funds the affordability study required by Biggert-Waters and mandates its completion in two years.
- **Includes the Home Improvement Threshold** – This bill returns the “substantial improvement threshold” (i.e. renovations and remodeling) to the historic 50% of a structure’s fair market value level and ensures that necessary renovations can continue without penalizing homeowners with excessive flood insurance rate hikes and costly mitigation. Under Biggert-Waters, flood insurance premium increases are triggered when the renovation investments meet 30% of the home’s value.
- **Additional Policies Included** – This legislation includes several other provisions including preserving the basement exception, allowing for payments to be made in monthly installments, and reimbursing policyholders for successful map appeals.