

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4125

To improve the national flood insurance program to increase the stability of the National Flood Insurance Fund through improved risk management, enhanced compliance, and incentives for mitigation, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1994

Mr. HUGHES (for himself and Mr. SAXTON) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

---

## A BILL

To improve the national flood insurance program to increase the stability of the National Flood Insurance Fund through improved risk management, enhanced compliance, and incentives for mitigation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Flood Insurance Risk Management Act of 1994”.

6       (b) TABLE OF CONTENTS.—

Sec. 1. Short title and table of contents.

Sec. 2. Definitions.

## TITLE I—COMPLIANCE AND INCREASED PARTICIPATION

- Sec. 101. Existing flood insurance purchase requirements.
- Sec. 102. Expanded flood insurance purchase requirements.
- Sec. 103. Escrow of flood insurance payments.
- Sec. 104. Placement of flood insurance by lenders.
- Sec. 105. Penalties for failure to require flood insurance or notify.
- Sec. 106. Ongoing compliance with flood insurance purchase requirements.
- Sec. 107. Fees for determining applicability of flood insurance purchase requirements.
- Sec. 108. Notice requirements.
- Sec. 109. Standard hazard determination forms.
- Sec. 110. Examinations regarding compliance.
- Sec. 111. Financial Institutions Examination Council.
- Sec. 112. Clerical amendments.

## TITLE II—FLOOD INSURANCE PREMIUM RATES AND COVERAGE AMOUNTS

- Sec. 201. Preference for charging actuarial rates.
- Sec. 202. Community rating system and incentives for flood damage mitigation measures.
- Sec. 203. Community premium-pooling program.
- Sec. 204. Maximum flood insurance coverage amounts.
- Sec. 205. Study of economic effects of charging actuarially-based premium rates for pre-firm structures.
- Sec. 206. GAO study of economic impact of erosion hazard areas.

## TITLE III—REVOLVING LOAN FUND FOR FLOOD AND EROSION DAMAGE MITIGATION ACTIVITIES AND ADDITIONAL MITIGATION COVERAGE

- Sec. 301. Flood and Erosion Risk Management Fund.
- Sec. 302. Flood insurance premium surcharges.
- Sec. 303. Additional coverage for mitigation activities.

## TITLE IV—MISCELLANEOUS PROVISIONS

- Sec. 401. Extension of flood insurance program.
- Sec. 402. Termination of erosion-threatened structures program.
- Sec. 403. Limitations on claims for repetitively damaged structures.
- Sec. 404. Penalties for repetitive claims.
- Sec. 405. Flood insurance program arrangements with private insurance entities.
- Sec. 406. Authorization of appropriations.

**1 SEC. 2. DEFINITIONS.**

2 (a) FLOOD DISASTER PROTECTION ACT OF 1973.—

3 Section 3(a) of the Flood Disaster Protection Act of 1973

4 (42 U.S.C. 4003(a)) is amended—

1           (1) by striking paragraph (5) and inserting the  
2 following new paragraph:

3           “(5) ‘Federal entity for lending regulation’  
4 means the Board of Governors of the Federal Re-  
5 serve System, the Federal Deposit Insurance Cor-  
6 poration, the Comptroller of the Currency, the Office  
7 of Thrift Supervision, and the National Credit  
8 Union Administration, and with respect to a particu-  
9 lar regulated lending institution means the entity  
10 primarily responsible for the supervision, approval,  
11 or regulation of the institution;”;

12           (2) in paragraph (6), by striking the period at  
13 the end and inserting a semicolon; and

14           (3) by inserting after paragraph (6) the follow-  
15 ing new paragraphs:

16           “(7) ‘Federal agency lender’ means a Federal  
17 agency that makes direct loans secured by improved  
18 real estate or a mobile home, to the extent such  
19 agency acts in such capacity;

20           “(8) ‘lender’ includes any regulated lending in-  
21 stitution, other lending institution, and Federal  
22 agency lender, but does not include any agency en-  
23 gaged primarily in the purchase of mortgage loans;

24           “(9) ‘other lending institution’ means any lend-  
25 ing institution that is not subject to the supervision,

1 approval, regulation, or insuring of any Federal en-  
2 tity for lending regulation and that is not a Federal  
3 agency lender, but does not include institutions en-  
4 gaged primarily in the purchase of mortgage loans;

5 “(10) ‘regulated lending institution’ means any  
6 bank, savings and loan association, credit union, or  
7 similar institution subject to the supervision, ap-  
8 proval, regulation, or insuring of a Federal entity for  
9 lending regulation; and

10 “(11) ‘servicer’ means the person responsible  
11 for receiving any scheduled periodic payments from  
12 a borrower pursuant to the terms of a loan, includ-  
13 ing amounts for taxes, insurance premiums, and  
14 other charges with respect to the property, and mak-  
15 ing the payments of principal and interest and such  
16 other payments with respect to the amounts received  
17 from the borrower as may be required pursuant to  
18 the terms of the loan.”.

19 (b) NATIONAL FLOOD INSURANCE ACT OF 1968.—  
20 Section 1370(a) of the National Flood Insurance Act of  
21 1968 (42 U.S.C. 4121(a)) is amended—

22 (1) in paragraph (5), by striking “and” at the  
23 end;

24 (2) in paragraph (6), by striking the period at  
25 the end and inserting a semicolon; and

1           (3) by inserting after paragraph (6) the follow-  
2           ing new paragraphs:

3           “(7) the term ‘coastal’ means relating to the  
4           coastlines and bays of the tidal waters of the United  
5           States or the shorelines of the Great Lakes, but does  
6           not refer to bayous, riverine areas, and riverine por-  
7           tions of estuaries;

8           “(8) the term ‘Federal agency lender’ means a  
9           Federal agency that makes direct loans secured by  
10          improved real estate or a mobile home, to the extent  
11          such agency acts in such capacity;

12          “(9) the term ‘Federal entity for lending regu-  
13          lation’ means the Board of Governors of the Federal  
14          Reserve System, the Federal Deposit Insurance Cor-  
15          poration, the Comptroller of the Currency, the Office  
16          of Thrift Supervision, and the National Credit  
17          Union Administration, and with respect to a particu-  
18          lar regulated lending institution means the entity  
19          primarily responsible for the supervision, approval,  
20          or regulation of the institution;

21          “(10) the term ‘lender’ includes any regulated  
22          lending institution, other lending institution, and  
23          Federal agency lender, but does not include any  
24          agency engaged primarily in the purchase of mort-  
25          gage loans;

1           “(11) the term ‘natural and beneficial flood-  
2 plain functions’ means (A) the functions associated  
3 with the natural or relatively undisturbed floodplain  
4 that moderate flooding, retain flood waters, reduce  
5 erosion and sedimentation, and mitigate the effect of  
6 waves and storm surge from storms;

7           “(12) the term ‘regulated lending institution’  
8 means a bank, savings and loan association, credit  
9 union, or similar institution subject to the super-  
10 vision, approval, regulation, or insuring of a Federal  
11 entity for lending regulation;

12           “(13) the term ‘other lending institution’ means  
13 any lending institution that is not subject to the su-  
14 pervision, approval, regulation, or insuring of any  
15 Federal entity for lending regulation and that is not  
16 a Federal agency lender, but does not include insti-  
17 tutions engaged primarily in the purchase of mort-  
18 gage loans; and

19           “(14) the term ‘servicer’ means the person re-  
20 sponsible for receiving any scheduled periodic pay-  
21 ments from a borrower pursuant to the terms of a  
22 loan, including amounts for taxes, insurance pre-  
23 miums, and other charges with respect to the prop-  
24 erty, and making the payments of principal and in-  
25 terest and such other payments with respect to the

1 amounts received from the borrower as may be re-  
2 quired pursuant to the terms of the loan.”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) FLOOD DISASTER PROTECTION ACT OF  
5 1973.—Section 202(b) of the Flood Disaster Protec-  
6 tion Act of 1973 (42 U.S.C. 4106(b)) is amended by  
7 striking “Federal instrumentality described in such  
8 section shall by regulation require the institutions”  
9 and inserting “Federal entity for lending regulation  
10 (with respect to regulated lending institutions), the  
11 Secretary of Housing and Urban Development (with  
12 respect to other lending institutions), and the appro-  
13 priate head of each Federal agency lender, shall by  
14 regulation require the lenders”.

15 (2) NATIONAL FLOOD INSURANCE ACT OF  
16 1968.—Section 1322(d) of the National Flood Insur-  
17 ance Act of 1968 (42 U.S.C. 4029(d)) is amended  
18 by striking “federally supervised, approved, regu-  
19 lated or insured financial institution” and inserting  
20 “regulated lending institution, other lending institu-  
21 tion, or Federal agency lender”.

1       **TITLE I—COMPLIANCE AND**  
2       **INCREASED PARTICIPATION**

3       **SEC. 101. EXISTING FLOOD INSURANCE PURCHASE RE-**  
4               **QUIREMENTS.**

5       Section 102(a) of the Flood Disaster Protection Act  
6 of 1973 (42 U.S.C. 4012a(a)) is amended—

7               (1) by inserting after “(a)” the following: “RE-  
8       QUIREMENT FOR FEDERAL ASSISTANCE FOR ACQUI-  
9       SITION OR CONSTRUCTION.—”; and

10              (2) by adding at the end the following new sen-  
11       tence: “This subsection may not be construed to per-  
12       mit the provision of any amount of financial assist-  
13       ance with respect to any building or mobile home  
14       and related personal property for which flood insur-  
15       ance is required under this subsection, unless the re-  
16       quirements under this subsection are complied with  
17       in full. The prohibitions and requirements of this  
18       subsection relating to financial assistance may not  
19       be waived for any purpose.”.

20       **SEC. 102. EXPANDED FLOOD INSURANCE PURCHASE RE-**  
21               **QUIREMENTS.**

22       Section 102(b) of the Flood Disaster Protection Act  
23 of 1973 (42 U.S.C. 4012a(b)) is amended to read as fol-  
24 lows:

25              “(b) REQUIREMENT FOR MORTGAGE LOANS.—

1           “(1) REGULATED LENDING INSTITUTIONS.—  
2       Each Federal entity for lending regulation (after  
3       consultation and coordination with the Financial In-  
4       stitutions Examination Council established under the  
5       Federal Financial Institutions Examination Council  
6       Act of 1974) shall by regulation direct regulated  
7       lending institutions not to make, increase, extend, or  
8       renew, after the expiration of 60 days following the  
9       date of the enactment of this Act, any loan secured  
10      by improved real estate or a mobile home located or  
11      to be located in an area that has been identified by  
12      the Director as an area having special flood hazards  
13      and in which flood insurance has been made avail-  
14      able under the National Flood Insurance Act of  
15      1968, unless the building or mobile home and any  
16      personal property securing such loan is covered for  
17      the term of the loan by flood insurance in an  
18      amount at least equal to the outstanding principal  
19      balance of the loan or the maximum limit of cov-  
20      erage made available under the Act with respect to  
21      the particular type of property, whichever is less.

22           “(2) OTHER LENDING INSTITUTIONS.—The  
23      Secretary of Housing and Urban Development (after  
24      consultation and coordination with the Financial In-

stitutions Examination Council) shall by regulation direct that—

“(A) any other lending institution may not make, increase, extend, or renew any loan secured by improved real estate consisting of a 1-to 4-family residence or a mobile home located or to be located in an area that has been identified by the Director of the Federal Emergency Management Agency 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 the amount provided in paragraph (1); and

“(B) any loan that is—

“(i) 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 by the Director of the Federal Emergency Management Agency, as an area of special flood hazards and in which flood insurance is available under

1           the National Flood Insurance Act of 1968,  
2           and

3           “(ii) purchased by the Government  
4           National Mortgage Association,  
5           is covered for the term of the loan by flood in-  
6           surance in the amount provided in paragraph  
7           (1).

8           “(3) FEDERAL AGENCY LENDERS.—A Federal  
9           agency lender may not make, increase, extend, or  
10          renew any loan secured by improved real estate or  
11          a mobile home located or to be located in an area  
12          that has been identified by the Director of the Fed-  
13          eral Emergency Management Agency as an area  
14          having special flood hazards and in which flood in-  
15          surance has been made available under the National  
16          Flood Insurance Act of 1968, unless the building or  
17          mobile home and any personal property securing  
18          such loan is covered for the term of the loan by flood  
19          insurance in the amount provided in paragraph (1).  
20          The relevant head of each Federal agency lender  
21          shall issue any regulations necessary to carry out  
22          this paragraph. Such regulations shall be consistent  
23          with and substantially identical to the regulations is-  
24          sued under paragraphs (1) and (2).

1           “(4) GOVERNMENT-SPONSORED ENTERPRISES  
2 FOR HOUSING.—The Federal National Mortgage As-  
3 sociation and the Federal Home Loan Mortgage  
4 Corporation shall implement procedures reasonably  
5 designed to ensure that any loan that is—

6           “(A) secured by improved real estate or a  
7 mobile home located in an area that has been  
8 identified at the time of the origination of the  
9 loan by the Director as an area of special flood  
10 hazards and in which flood insurance is avail-  
11 able under the National Flood Insurance Act of  
12 1968, and

13           “(B) purchased by either such entity,  
14 is covered for the term of the loan by flood insur-  
15 ance in the amount provided in paragraph (1).

16           “(5) CONTESTED DETERMINATIONS.—If a bor-  
17 rower under a loan disputes or challenges the deter-  
18 mination of the lender that the improved real estate  
19 or mobile home securing the loan is located in an  
20 area of special flood hazards, the lender shall review  
21 and consider any relevant information, as deter-  
22 mined by the Director, submitted to the lender by  
23 the borrower.

24           “(6) APPLICABILITY.—Paragraphs (2) through  
25 (4) shall apply only with respect to any loan made,

1 increased, extended, or renewed after the expiration  
2 of the 1-year period beginning on the date of the en-  
3 actment of the Flood Insurance Risk Management  
4 Act of 1994.”.

5 **SEC. 103. ESCROW OF FLOOD INSURANCE PAYMENTS.**

6 Section 102 of the Flood Disaster Protection Act of  
7 1973 (42 U.S.C. 4012a) is amended by adding at the end  
8 the following new subsection:

9 “(d) ESCROW OF FLOOD INSURANCE PAYMENTS.—

10 “(1) PRIVATE LENDERS.—For loans secured by  
11 residential real estate, each Federal entity for lend-  
12 ing regulation (with respect to any loans of regu-  
13 lated lending institutions) and the Secretary of  
14 Housing and Urban Development (with respect to  
15 any loans of other lending institutions), after con-  
16 sultation and coordination with the Financial Insti-  
17 tutions Examination Council, shall by regulation re-  
18 quire that, if a lender or other servicer of the loan  
19 requires the escrowing of taxes, insurance premiums,  
20 fees, or any other charges for a loan secured by resi-  
21 dential real estate or a mobile home, then all pre-  
22 miums and fees for flood insurance under the Na-  
23 tional Flood Insurance Act of 1968 for the residen-  
24 tial real estate or mobile home shall be paid to the  
25 lender or servicer of the loan. Premiums and fees

1       paid to the lender or servicer shall be paid in a man-  
2       ner sufficient to make payments as due for the dura-  
3       tion of the loan. Upon receipt of the premiums, the  
4       lender or servicer of the loan shall deposit the pre-  
5       miums in an escrow account on behalf of the bor-  
6       rower. Upon receipt of a notice from the Director or  
7       the provider of the insurance that insurance pre-  
8       miums are due, the lender or servicer shall pay from  
9       the escrow account to the provider of the insurance  
10      the amount of insurance premiums owed.

11           “(2) FEDERAL AGENCY LENDERS.—The appro-  
12      priate head of each Federal agency lender shall by  
13      regulation require and provide for escrow and pay-  
14      ment of any flood insurance premiums and fees re-  
15      lating to residential property securing loans made by  
16      the Federal agency lender under the circumstances  
17      and in the manner provided under paragraph (1).  
18      Any regulations issued under this paragraph shall be  
19      consistent with and substantially identical to the  
20      regulations issued under paragraph (1).

21           “(3) APPLICABILITY OF RESPA.—Escrow ac-  
22      counts established pursuant to this subsection shall  
23      be subject to the provisions of section 10 of the Real  
24      Estate Settlement Procedures Act of 1974.

1           “(4) APPLICABILITY.—This subsection shall  
2           apply only with respect to any loan made, increased,  
3           extended, or renewed after the expiration of the 1-  
4           year period beginning on the date of the enactment  
5           of the Flood Insurance Risk Management Act of  
6           1994.”.

7 **SEC. 104. PLACEMENT OF FLOOD INSURANCE BY LENDERS.**

8           (a) ACTIONS REQUIRED BY LENDER.—Section 102  
9           of the Flood Disaster Protection Act of 1973 (42 U.S.C.  
10          4012a), as amended by the preceding provisions of this  
11          Act, is further amended by adding at the end the following  
12          new subsection:

13          “(e) PLACEMENT OF FLOOD INSURANCE BY LEND-  
14          ER.—

15                 “(1) NOTIFICATION TO BORROWER OF LACK OF  
16                 COVERAGE.—If, at any time during the term of a  
17                 loan secured by improved real estate or by a mobile  
18                 home located in an area that has been identified by  
19                 the Director as an area having special flood hazards  
20                 and in which flood insurance is available under the  
21                 National Flood Insurance Act of 1968, the lender or  
22                 servicer for the loan determines that the building or  
23                 mobile home and any personal property securing the  
24                 loan is covered by flood insurance in an amount less  
25                 than the amount required for the property pursuant

1 to subsection (b), the lender or servicer shall notify  
2 the borrower under the loan that the borrower  
3 should obtain, at the borrower's expense, an amount  
4 of flood insurance for the property that is not less  
5 than the amount under subsection (b)(1), for the  
6 term of the loan.

7 “(2) PURCHASE OF COVERAGE ON BEHALF OF  
8 BORROWER.—If the borrower fails to purchase such  
9 flood insurance within 60 days after such notifica-  
10 tion, the lender or servicer for the loan shall pur-  
11 chase the insurance on behalf of the borrower and  
12 may charge the borrower for the cost of premiums  
13 and fees incurred by the lender or servicer for the  
14 loan in purchasing the insurance.

15 “(3) REVIEW OF DETERMINATION REGARDING  
16 REQUIRED PURCHASE.—

17 “(A) IN GENERAL.—A borrower may re-  
18 quest that the Director review a determination  
19 that the improved real estate or mobile home  
20 securing the loan is located in an area of special  
21 flood hazards. Not later than 45 days after the  
22 Director receives the request, the Director shall  
23 review the determination and provide the bor-  
24 rower with a letter stating whether or not the

1 property is in a special flood hazards area. The  
2 determination of the Director shall be final.

3 “(B) EFFECT OF DETERMINATION.—Any  
4 person to whom a borrower provides a letter is-  
5 sued by the Director pursuant to subparagraph  
6 (A), stating that the property of the borrower  
7 is not in an area of special flood hazards, shall  
8 have no obligation under this title to require the  
9 purchase of flood insurance on the property  
10 during the 1-year period beginning upon the  
11 date that such letter is provided.

12 “(4) APPLICABILITY.—This subsection shall  
13 apply to all loans outstanding on or after the date  
14 of enactment of the Flood Insurance Risk Manage-  
15 ment Act of 1994.”.

16 **SEC. 105. PENALTIES FOR FAILURE TO REQUIRE FLOOD IN-**  
17 **SURANCE OR NOTIFY.**

18 (a) AUTHORITY.—Section 102 of the Flood Disaster  
19 Protection Act of 1973 (42 U.S.C. 4012a), as amended  
20 by the preceding provisions of this Act, is further amended  
21 by adding at the end the following new subsections:

22 “(f) CIVIL MONETARY PENALTIES FOR FAILURE TO  
23 REQUIRE FLOOD INSURANCE OR NOTIFY.—

24 “(1) CIVIL MONETARY PENALTIES AGAINST  
25 LENDERS.—Any regulated or other lending institu-

1       tion that is found to have a pattern or practice of  
2       committing violations under paragraph (2) shall be  
3       assessed a civil penalty by the appropriate Federal  
4       entity for lending regulation (with respect to regu-  
5       lated lending institutions) or the Secretary of Hous-  
6       ing and Urban Development (with respect to other  
7       lending institutions) in the amount provided under  
8       paragraph (5).

9               “(2) LENDER VIOLATIONS.—The violations re-  
10       ferred to in paragraph (1) shall be—

11                       “(A) making, increasing, extending, or re-  
12       newing loans in violation of—

13                               “(i) the regulations issued pursuant to  
14       subsection (b) of this section;

15                               “(ii) the escrow requirements under  
16       subsection (d) of this section; or

17                               “(iii) the notice requirements under  
18       section 1364 of the National Flood Insur-  
19       ance Act of 1968; or

20                       “(B) failure to provide notice or purchase  
21       flood insurance coverage in violation of sub-  
22       section (e) of this section.

23               “(3) CIVIL MONETARY PENALTIES AGAINST  
24       GSE’S.—If the Federal National Mortgage Associa-  
25       tion or the Federal Home Loan Mortgage Corpora-

1       tion is found by the Director of the Office of Federal  
2       Housing Enterprise Oversight of the Department of  
3       Housing and Urban Development to have a pattern  
4       or practice of purchasing loans in violation of the  
5       procedures established pursuant to subsection (b)(4)  
6       of this section, the Director of such Office shall as-  
7       sess a civil penalty against such enterprise in the  
8       amount provided under paragraph (5) of this sub-  
9       section. For purposes of this subsection, the term  
10      ‘enterprise’ means the Federal National Mortgage  
11      Association or the Federal Home Loan Mortgage  
12      Corporation.

13           “(4) NOTICE AND HEARING.—A penalty under  
14      this subsection may be issued only after notice and  
15      an opportunity for a hearing on the record.

16           “(5) AMOUNT.—A civil monetary penalty under  
17      this subsection may not exceed \$350 for each viola-  
18      tion under paragraph (2) or paragraph (3). The  
19      total amount of penalties assessed under this sub-  
20      section against any single regulated lending institu-  
21      tion, other lending institution, or enterprise for any  
22      calendar year may not exceed \$100,000.

23           “(6) LENDER COMPLIANCE.—Notwithstanding  
24      any State or local law, for purposes of this sub-  
25      section, any lender that purchases flood insurance or

1 renews a contract for flood insurance on behalf of or  
2 as an agent of a borrower of a loan for which flood  
3 insurance is required shall be considered to have  
4 complied with the regulations issued under sub-  
5 section (b).

6 “(7) EFFECT OF TRANSFER ON LIABILITY.—  
7 Any sale or other transfer of a loan by a lender who  
8 has committed a violation under paragraph (1), that  
9 occurs subsequent to the violation, shall not affect  
10 the liability of the transferring lender with respect to  
11 any penalty under this subsection. A lender shall not  
12 be liable for any violations relating to a loan com-  
13 mitted by another lender who previously held the  
14 loan.

15 “(8) DEPOSIT OF PENALTIES.—Any penalties  
16 collected under this subsection shall be paid into the  
17 National Flood Insurance Fund established under  
18 section 1310 of the National Flood Insurance Act of  
19 1968.

20 “(9) ADDITIONAL PENALTIES.—Any penalty  
21 under this subsection shall be in addition to any civil  
22 remedy or criminal penalty otherwise available.

23 “(10) STATUTE OF LIMITATIONS.—No penalty  
24 may be imposed under this subsection after the expi-  
25 ration of the 5-year period beginning on the date of

1 the occurrence of the violation for which the penalty  
2 is authorized under this subsection.

3 “(g) OTHER ACTIONS TO REMEDY PATTERN OF  
4 NONCOMPLIANCE.—

5 “(1) AUTHORITY OF FEDERAL ENTITIES FOR  
6 LENDING REGULATION.—The head of the applicable  
7 Federal entity for lending regulation may require a  
8 regulated lending institution to take such remedial  
9 actions as are necessary to ensure that the regulated  
10 lending institution complies with the requirements of  
11 the national flood insurance program if the Federal  
12 agency for lending regulation makes a determination  
13 under paragraph (3) regarding the regulated lending  
14 institution.

15 “(2) AUTHORITY OF SECRETARY OF HUD.—The  
16 Secretary of Housing and Urban Development may  
17 require an other lending institution to take such re-  
18 medial actions as are necessary to ensure that the  
19 other lending institution complies with the require-  
20 ments of the national flood insurance program if  
21 such Secretary makes a determination under para-  
22 graph (3) regarding the other lending institution.

23 “(3) DETERMINATION OF VIOLATIONS.—A de-  
24 termination under this paragraph shall be a finding  
25 that—

1           “(A) the regulated lending institution or  
2           other lending institution, as the case may be,  
3           has engaged in a pattern and practice of non-  
4           compliance in violation of the regulations issued  
5           pursuant to subsection (b), (d), or (e) of this  
6           section or the notice requirements under section  
7           1364 of the National Flood Insurance Act of  
8           1968; and

9           “(B) the regulated lending institution or  
10          other lending institution, as the case may be,  
11          has not demonstrated measurable improvement  
12          in compliance despite the assessment of civil  
13          monetary penalties under subsection (f).”.

14          (b) DEPOSIT OF PENALTIES.—Section 1310(b) of the  
15          National Flood Insurance Act of 1968 is amended—

16                 (1) in paragraph (5), by striking “and” at the  
17                 end;

18                 (2) by redesignating paragraph (6) as para-  
19                 graph (9); and

20                 (3) by inserting after paragraph (5) the follow-  
21                 ing new paragraph:

22                         “(6) any penalties collected under section  
23                         102(f) of the Flood Disaster Protection Act of  
24                         1973;”.

1 **SEC. 106. ONGOING COMPLIANCE WITH FLOOD INSURANCE**  
2 **PURCHASE REQUIREMENTS.**

3 Section 102 of the Flood Disaster Protection Act of  
4 1973 (42 U.S.C. 4012a), as amended by the preceding  
5 provisions of this Act, is further amended by adding at  
6 the end the following new subsection:

7 “(h) NOTIFICATION OF FLOOD HAZARDS TO LOAN  
8 TRANSFEREE.—

9 “(1) IN GENERAL.—Except as provided in para-  
10 graphs (2) through (5), before the sale or transfer  
11 of any loan secured by improved real estate or a mo-  
12 bile home, the seller or transferor of the loan shall  
13 determine whether the property is in an area that  
14 has been designated by the Director as an area hav-  
15 ing special flood hazards. The seller or transferor  
16 shall, before sale or transfer, notify the purchaser or  
17 transferee and any servicer of the loan in writing re-  
18 garding the results of the determination. A deter-  
19 mination under this paragraph shall be evidenced  
20 using the standard hazard determination form under  
21 section 1365 of the National Flood Insurance Act of  
22 1968.

23 “(2) EXCEPTIONS.—For any loan secured by  
24 improved real estate or a mobile home, a determina-  
25 tion and notice under paragraph (1) shall not be re-

1       quired if, during the 5-year period ending on the  
2       date of the sale or transfer of the loan—

3               “(A) a determination and notice under  
4               paragraph (1) has been made for the property  
5               secured by the loan; or

6               “(B)(i) the loan has been made, increased,  
7               extended, or renewed; and

8               “(ii) the lender making, increasing, extend-  
9               ing, or renewing the loan was subject, at the  
10              time of such transaction, to regulations issued  
11              pursuant to paragraph (1), (2), or (3) of sub-  
12              section (b).

13             “(3) LOANS TRANSFERRED BY FDIC.—

14             “(A) IN GENERAL.—Except as provided in  
15             subparagraph (C), for any loan secured by im-  
16             proved real estate or a mobile home that is sold  
17             or transferred by the Federal Deposit Insurance  
18             Corporation acting in its corporate capacity or  
19             in its capacity as conservator or receiver, the  
20             purchaser or transferee of the loan shall deter-  
21             mine whether the property is in an area that  
22             has been designated by the Director as an area  
23             having special flood hazards.

24             “(B) NOTICE TO DIRECTOR.—A purchaser  
25             or transferee of a loan required to make a de-

1 termination and notification under subpara-  
2 graph (A) shall notify the Director and any  
3 servicer of the loan of the results of the deter-  
4 mination (using the standard hazard determina-  
5 tion form under section 1365 of the National  
6 Flood Insurance Act of 1968) before the expira-  
7 tion of the 90-day period beginning on the later  
8 of (i) the purchase or transfer of the loan, or  
9 (ii) the expiration of any option that the pur-  
10 chaser or transferee may have to transfer or  
11 put the loan back to the Federal Deposit Insur-  
12 ance Corporation.

13 “(C) EXCEPTIONS.—Such determination  
14 and notice shall not be required for any loan—

15 “(i) sold or transferred to an entity  
16 under the control of the Federal Deposit  
17 Insurance Corporation; or

18 “(ii) for which the purchaser or trans-  
19 feree exercises any available option to  
20 transfer or put the loan back to the Fed-  
21 eral Deposit Insurance Corporation.

22 “(4) LOANS TRANSFERRED BY RTC.—

23 “(A) IN GENERAL.—For any loan secured  
24 by improved real estate or a mobile home that  
25 is sold or transferred by the Resolution Trust

1 Corporation acting in its corporate capacity or  
2 in its capacity as a conservator or receiver, the  
3 purchaser or transferee of the loan shall deter-  
4 mine whether the property is in an area that  
5 has been designated by the Director as an area  
6 having special flood hazards if—

7 “(i) the Resolution Trust Corporation  
8 acquires the loan after the date of the ef-  
9 fectiveness of this subsection and sells or  
10 transfers the loan before the expiration of  
11 the 12-month period beginning on such ef-  
12 fective date; or

13 “(ii) the Corporation holds the loan  
14 on the date of the effectiveness of this sub-  
15 section and sells or transfers the loan be-  
16 fore the expiration of the 6-month period  
17 beginning on such effective date.

18 “(B) NOTICE TO DIRECTOR.—A purchaser  
19 or transferee of a loan required to make a de-  
20 termination and notification under subpara-  
21 graph (A) shall notify the Director and any  
22 servicer of the loan of the results of the deter-  
23 mination (using the standard hazard determina-  
24 tion form under section 1365 of the National  
25 Flood Insurance Act of 1968) before the expira-

1           tion of the 90-day period beginning upon the  
2           purchase or transfer of the loan.

3           “(5) LOANS TRANSFERRED BY NCUA.—

4                   “(A) IN GENERAL.—Except as provided in  
5           subparagraph (C), for any loan secured by im-  
6           proved real estate or a mobile home that is sold  
7           or transferred by the National Credit Union  
8           Administration acting in its corporate capacity  
9           or in its capacity as a conservator or liquidating  
10          agent, the purchaser or transferee of the loan  
11          shall determine whether the property is in an  
12          area that has been designated by the Director  
13          as an area having special flood hazards.

14                   “(B) NOTICE TO DIRECTOR.—A purchaser  
15          or transferee of a loan required to make a de-  
16          termination and notification under subpara-  
17          graph (A) shall notify the Director and any  
18          servicer of the loan of the results of the deter-  
19          mination (using the standard hazard determina-  
20          tion form under section 1365 of the National  
21          Flood Insurance Act of 1968) before the expira-  
22          tion of the 90-day period beginning upon the  
23          purchase or transfer of the loan.

24                   “(C) EXCEPTION.—Such determination  
25          and notice shall not be required for any loan

1           sold or transferred to an entity under the con-  
2           trol of the National Credit Union Administra-  
3           tion.

4           “(6) APPLICABILITY.—This subsection shall  
5           apply only with respect to any loan outstanding or  
6           entered into after the expiration of the 1-year period  
7           beginning on the date of the enactment of the Flood  
8           Insurance Risk Management Act of 1994.”.

9   **SEC. 107. FEES FOR DETERMINING APPLICABILITY OF**  
10                   **FLOOD INSURANCE PURCHASE REQUIRE-**  
11                   **MENTS.**

12           Section 102 of the Flood Disaster Protection Act of  
13   1973 (42 U.S.C. 4012a) as amended by the preceding pro-  
14   visions of this Act, is further amended by adding at the  
15   end the following new subsection:

16           “(i) FEE FOR DETERMINING LOCATION.—Notwith-  
17   standing any other Federal or State law, any lender for  
18   a loan described in paragraph (1), (2), or (3) of subsection  
19   (b) may charge a reasonable fee (as determined by the  
20   Director) for the costs of determining whether the prop-  
21   erty securing the loan is located in an area of special flood  
22   hazards, but only in accordance with the following require-  
23   ments:

1           “(1) BORROWER FEE.—The borrower under  
2 such a loan may be charged the fee, but only if the  
3 determination is made pursuant to—

4                   “(A) the making, increasing, extending, or  
5 renewing of the loan that is initiated by the  
6 borrower; or

7                   “(B) a revision or updating of the flood-  
8 plain areas and flood-risk zones established  
9 under section 1360 that affects the area in  
10 which the property securing the loan is located  
11 or that, in the determination of the Director,  
12 may reasonably be considered to require a de-  
13 termination under this subsection.

14           “(2) PURCHASER OR TRANSFEREE FEE.—The  
15 purchaser or transferee of such a loan may be  
16 charged the fee in the case of sale or transfer of the  
17 loan.”.

18 **SEC. 108. NOTICE REQUIREMENTS.**

19           Section 1364 of the National Flood Insurance Act of  
20 1968 (42 U.S.C. 4104a) is amended to read as follows:

21                   “NOTICE REQUIREMENTS

22           “SEC. 1364. (a) NOTIFICATION OF SPECIAL FLOOD  
23 HAZARDS.—

24                   “(1) REGULATED LENDING INSTITUTIONS.—

25                           “(A) REQUIREMENT.—Each Federal entity  
26 for lending regulation, after consultation and

1 coordination with the Financial Institutions Ex-  
2 amination Council, shall by regulation require  
3 regulated lending institutions, as a condition of  
4 making, increasing, extending, or renewing any  
5 loan secured by improved real estate or a mo-  
6 bile home located or to be located in an area  
7 that has been identified by the Director under  
8 this title or the Flood Disaster Protection Act  
9 of 1973 as an area having special flood haz-  
10 ards, to provide notice under this subsection of  
11 such special flood hazards a reasonable period  
12 in advance of the signing of the purchase agree-  
13 ment, lease, or other documents involved in the  
14 transaction.

15 “(B) MANNER.—The regulations under  
16 this subsection shall require the lenders to pro-  
17 vide the notice of such special flood hazards in  
18 writing and orally to the purchaser or lessee of  
19 the real estate or mobile home and in writing  
20 to the servicer of the loan (or to obtain satisfac-  
21 tory assurances that the seller or lessor has  
22 provided such notice).

23 “(C) RECORD OF RECEIPT.—The regula-  
24 tions under this subsection shall require the  
25 lenders—

1           “(i) to obtain signed statements by  
2           the purchaser or lessee and the servicer  
3           that the purchaser or lessee and servicer,  
4           as applicable, have received the notices re-  
5           quired under this subsection; and

6           “(ii) to retain such signed statements  
7           and written records of the provision and  
8           receipt of the notices required under this  
9           subsection.

10           “(2) OTHER LENDING INSTITUTIONS.—The  
11           Secretary of Housing and Urban Development shall  
12           by regulation require notification in the manner pro-  
13           vided under paragraph (1) with respect to any loan  
14           made by an other lending institution and secured by  
15           improved real estate consisting of a 1- to 4-family  
16           residence or a mobile home located or to be located  
17           in an area that has been identified by the Director  
18           under this title or the Flood Disaster Protection Act  
19           of 1973 as an area having special flood hazards. Any  
20           regulations issued under this paragraph shall be con-  
21           sistent with and substantially identical to the regula-  
22           tions issued under paragraph (1) (except to the ex-  
23           tent necessary to provide for differences between the  
24           types of loans for which notice is required under this

1 paragraph and the types for which notice is required  
2 under paragraph (1)).

3 “(3) FEDERAL AGENCY LENDERS.—The appro-  
4 priate head of each Federal agency lender shall by  
5 regulation require notification in the manner pro-  
6 vided under paragraph (1) with respect to any loan  
7 that is made by the Federal agency lender and se-  
8 cured by improved real estate or a mobile home lo-  
9 cated or to be located in an area that has been iden-  
10 tified by the Director under this title or the Flood  
11 Disaster Protection Act of 1973 as an area having  
12 special flood hazards. Any regulations issued under  
13 this paragraph shall be consistent with and substan-  
14 tially identical to the regulations issued under para-  
15 graph (1) (except to the extent necessary to provide  
16 for differences between the types of loans for which  
17 notice is required under this paragraph and the  
18 types for which notice is required under paragraph  
19 (1)).

20 “(4) CONTENTS OF NOTICE.—Written and oral  
21 notification required under this subsection shall in-  
22 clude—

23 “(A) a warning, in a form to be established  
24 in consultation with and subject to the approval  
25 of the Director, stating that the real estate or

1 mobile home securing the loan is located or is  
2 to be located in an area having special flood  
3 hazards;

4 “(B) a description of the flood insurance  
5 purchase requirements under section 102(b) of  
6 the Flood Disaster Protection Act of 1973;

7 “(C) a statement that flood insurance cov-  
8 erage may be purchased under the national  
9 flood insurance program and is also available  
10 from private insurers; and

11 “(D) any other information that the Direc-  
12 tor considers necessary to carry out the pur-  
13 poses of the national flood insurance program.

14 “(b) NOTIFICATION OF CHANGE OF SERVICER.—

15 “(1) LENDING INSTITUTIONS.—Each Federal  
16 entity for lending regulation (with respect to regu-  
17 lated lending institutions) and the Secretary of  
18 Housing and Urban Development (with respect to  
19 other lending institutions), after consultation and co-  
20 ordination with the Financial Institutions Examina-  
21 tion Council, shall by regulation require such institu-  
22 tions, as a condition of making, increasing, extend-  
23 ing, renewing, selling, or transferring any loan de-  
24 scribed in subsection (a)(1), to notify the Director  
25 (or the designee of the Director) in writing during

1 the term of the loan of the servicer of the loan. Such  
2 institutions shall also notify the Director (or such  
3 designee) of any change in the servicer of the loan,  
4 not later than 60 days after the effective date of  
5 such change. The regulations under this subsection  
6 shall provide that upon any change in the servicing  
7 of a loan, the duty to provide notification under this  
8 subsection shall transfer to the transferee servicer of  
9 the loan.

10 “(2) FEDERAL AGENCY LENDERS.—The appro-  
11 priate head of each Federal agency lender shall by  
12 regulation provide for notification in the manner  
13 provided under paragraph (1) with respect to any  
14 loan described in subsection (a)(1) that is made by  
15 the Federal agency lender. Any regulations issued  
16 under this paragraph shall be consistent with and  
17 substantially identical to the regulations issued  
18 under paragraph (1) of this subsection.

19 “(c) NOTIFICATION OF EXPIRATION OF INSUR-  
20 ANCE.—The Director (or the designee of the Director)  
21 shall, not less than 45 days before the expiration of any  
22 contract for flood insurance under this title, issue notice  
23 of such expiration by first class mail to the owner of the  
24 property, the servicer of any loan secured by the property  
25 covered by the contract, and the owner of the loan.”.

1 **SEC. 109. STANDARD HAZARD DETERMINATION FORMS.**

2 Chapter III of the National Flood Insurance Act of  
3 1968 (42 U.S.C. 4101 et seq.) is amended by adding at  
4 the end the following new section:

5 “STANDARD HAZARD DETERMINATION FORMS

6 “SEC. 1365. (a) DEVELOPMENT.—The Director, in  
7 consultation with representatives of the mortgage and  
8 lending industry, the Federal entities for lending regula-  
9 tion, the Federal agency lenders, and any other appro-  
10 priate individuals, shall develop standard written and elec-  
11 tronic forms for determining the flood hazard exposure of  
12 a property for use in connection with loans secured by im-  
13 proved real estate or a mobile home. The written and elec-  
14 tronic forms shall be established by regulations issued not  
15 later than 270 days after the date of the enactment of  
16 the Flood Insurance Risk Management Act of 1994.

17 “(b) DESIGN AND CONTENTS.—

18 “(1) PURPOSE.—The form under subsection (a)  
19 shall be designed to facilitate a determination of the  
20 exposure to flood hazards of structures located on  
21 the property to which the loan application relates.  
22 The form shall be designed to facilitate compliance  
23 with the provisions of this title.

24 “(2) CONTENTS.—The form shall require iden-  
25 tification of the type of flood-risk zone in which the  
26 property is located, the complete map and panel

1 numbers for the property, and the date of the map  
2 used for the determination, with respect to flood  
3 hazard information on file with the Director. If the  
4 property is not located in an area of special flood  
5 hazards the form shall require a statement to such  
6 effect and shall indicate the complete map and panel  
7 numbers of the property. If the complete map and  
8 panel numbers for the property are not available be-  
9 cause the property is not located in a community  
10 that is participating in the national flood insurance  
11 program or because no map exists for the relevant  
12 area, the form shall require a statement to such ef-  
13 fect. The form shall provide for inclusion or attach-  
14 ment of any relevant documents indicating revisions  
15 or amendments to maps.

16 “(c) REQUIRED USE.—The Federal entities for lend-  
17 ing regulation shall by regulation require the use of the  
18 form under this section by regulated lending institutions.  
19 The appropriate head of each Federal agency lender shall  
20 by regulation provide for the use of the form with respect  
21 to any loan made by such Federal agency lender. The Sec-  
22 retary of Housing and Urban Development shall by regu-  
23 lation require use of the form in connection with loans  
24 purchased by Federal National Mortgage Association and  
25 the Federal Home Loan Mortgage Corporation and the

1 Government National Mortgage Association. The Sec-  
2 retary of Housing and Urban Development shall encour-  
3 age the use of the form by other lending institutions.

4 “(d) GUARANTEES REGARDING INFORMATION.—In  
5 providing information regarding special flood hazards on  
6 the form developed under this section (or otherwise re-  
7 quired of a lender not required to use the form under this  
8 section) any lender making, increasing, extending, or re-  
9 newing a loan secured by improved real estate or a mobile  
10 home may provide for the acquisition or determination of  
11 such information to be made by a person other than such  
12 institution, only to the extent such person guarantees the  
13 accuracy of the information. The Director shall by regula-  
14 tions establish requirements relating to the nature and  
15 manner of such guarantees.

16 “(e) ELECTRONIC FORM.—The Federal entities for  
17 lending regulation, the Secretary of Housing and Urban  
18 Development, and the appropriate head of each Federal  
19 agency lender shall by regulation require any lender using  
20 the electronic form developed under this section with re-  
21 spect to any loan to make available upon the request of  
22 such Federal entity, Secretary, or agency head, a written  
23 form under this section for such loan within 48 hours after  
24 such request.

1       “(f) EFFECTIVE DATE.—The regulations under this  
2 section requiring use of the written and electronic forms  
3 established pursuant to this section shall be issued to-  
4 gether with the regulations required under subsection (a)  
5 and shall take effect upon the expiration of the 90-day  
6 period beginning on such issuance.”.

7 **SEC. 110. EXAMINATIONS REGARDING COMPLIANCE.**

8       (a) AMENDMENT TO FEDERAL DEPOSIT INSURANCE  
9 ACT.—Section 10 of the Federal Deposit Insurance Act  
10 (12 U.S.C. 1820) is amended by adding at the end the  
11 following new subsection:

12       “(h) FLOOD INSURANCE COMPLIANCE BY INSURED  
13 DEPOSITORY INSTITUTIONS.—

14               “(1) EXAMINATIONS.—The appropriate Federal  
15 banking agency shall, during each scheduled on-site  
16 examination required by this section, determine  
17 whether the insured depository institution is comply-  
18 ing with the requirements of the national flood in-  
19 surance program.

20               “(2) REPORT.—

21                       “(A) REQUIREMENT.—Not later than 1  
22 year after the date of enactment of the Flood  
23 Insurance Risk Management Act of 1994 and  
24 biennially thereafter for the next 4 years, each  
25 appropriate Federal banking agency shall sub-

1 mit a report to the Congress on compliance by  
2 insured depository institutions with the require-  
3 ments of the national flood insurance program.

4 “(B) CONTENTS.—The report shall include  
5 a description of the methods used to determine  
6 compliance, the number of institutions exam-  
7 ined during the reporting year, a listing and  
8 total number of institutions found not to be in  
9 compliance, actions taken to correct incidents of  
10 noncompliance, and an analysis of compliance,  
11 including a discussion of any trends, patterns,  
12 and problems, and recommendations regarding  
13 reasonable actions to improve the efficiency of  
14 the examinations processes.”.

15 (b) AMENDMENT TO FEDERAL CREDIT UNION  
16 ACT.—Section 204 of the Federal Credit Union Act (12  
17 U.S.C. 1784) is amended by adding at the end the follow-  
18 ing new subsection:

19 “(e) FLOOD INSURANCE COMPLIANCE BY INSURED  
20 CREDIT UNIONS.—

21 “(1) EXAMINATION.—The Board shall, during  
22 each examination conducted under this section, de-  
23 termine whether the insured credit union is comply-  
24 ing with the requirements of the national flood in-  
25 surance program.

1 “(2) REPORT.—

2 “(A) REQUIREMENT.—Not later than 1  
3 year after the date of enactment of the Flood  
4 Insurance Risk Management Act of 1994 and  
5 biennially thereafter for the next 4 years, the  
6 Board shall submit a report to Congress on  
7 compliance by insured credit unions with the re-  
8 quirements of the national flood insurance pro-  
9 gram.

10 “(B) CONTENTS.—The report shall include  
11 a description of the methods used to determine  
12 compliance, the number of insured credit unions  
13 examined during the reporting year, a listing  
14 and total number of insured credit unions found  
15 not to be in compliance, actions taken to correct  
16 incidents of noncompliance, and an analysis of  
17 compliance, including a discussion of any  
18 trends, patterns, and problems, and rec-  
19 ommendations regarding reasonable actions to  
20 improve the efficiency of the examinations pro-  
21 cesses.”.

22 (c) AMENDMENT TO FEDERAL HOUSING ENTER-  
23 PRISES FINANCIAL SAFETY AND SOUNDNESS ACT OF  
24 1992.—Section 1317 of the Federal Housing Enterprises  
25 Financial Safety and Soundness Act of 1992 (12 U.S.C.

1 4517) is amended by adding at the end the following new  
2 subsection:

3 “(g) FLOOD INSURANCE COMPLIANCE BY ENTER-  
4 PRISES.—

5 “(1) EXAMINATION.—After the submission of  
6 the report under section 110(d) of the Flood Insur-  
7 ance Risk Management Act of 1994, the Director  
8 shall, during each annual examination of an enter-  
9 prise conducted under this section, determine wheth-  
10 er the enterprise has established adequate proce-  
11 dures required under section 102(b)(4) of the Flood  
12 Disaster Protection Act of 1973 and is complying  
13 with such procedures.

14 “(2) EXCEPTION.—The provisions of paragraph  
15 (1) shall not apply with respect to an enterprise if  
16 the Director—

17 “(A) determines, pursuant to the report  
18 under section 110(d) of the Flood Insurance  
19 Risk Management Act of 1994, that the enter-  
20 prise has established adequate procedures pur-  
21 suant to section 102(b)(4) of the Flood Disas-  
22 ter Protection Act of 1973 and has a pattern  
23 of compliance with such procedures; and

24 “(B) certifies such finding in writing to  
25 the Congress.

1 “(3) REPORT.—

2 “(A) REQUIREMENT.—Not later than 1  
3 year after the date of enactment of the Flood  
4 Insurance Risk Management Act of 1994 and  
5 biennially thereafter for the next 4 years, the  
6 Director shall submit a report to Congress on  
7 compliance by the enterprises with the proce-  
8 dures established pursuant to section 102(b)(4)  
9 of the Flood Disaster Protection Act of 1973.

10 “(B) CONTENTS.—The report shall include  
11 a description of the methods used to determine  
12 compliance, identification of any enterprise  
13 found not to be in compliance, actions taken to  
14 correct incidents of noncompliance, and an  
15 analysis of compliance, including a discussion of  
16 any trends, patterns, and problems, and rec-  
17 ommendations regarding reasonable actions to  
18 improve the efficiency of the examinations proc-  
19 esses.”.

20 (d) GAO REPORT ON GSE COMPLIANCE.—Not later  
21 than 18 months after the date of enactment of this Act,  
22 the Comptroller General of the United States shall submit  
23 a report to the Congress and the Director of the Office  
24 of Federal Housing Enterprise Oversight of the Depart-  
25 ment of Housing and Urban Development regarding the

1 procedures established by the Federal National Mortgage  
2 Association and the Federal Home Loan Mortgage Cor-  
3 poration pursuant to section 102(b)(4) of the Flood Disas-  
4 ter Protection Act of 1973. The report shall include a de-  
5 scription of such procedures, an analysis of whether such  
6 procedures are sufficient to comply with the requirements  
7 of such section, a determination of whether each enter-  
8 prise has complied with such procedures, a description of  
9 any actions taken by each enterprise to correct any inci-  
10 dents of noncompliance, and any recommendations regard-  
11 ing reasonable actions to improve the procedures estab-  
12 lished by the enterprises and compliance with such proce-  
13 dures.

14 **SEC. 111. FINANCIAL INSTITUTIONS EXAMINATION COUN-**  
15 **CIL.**

16 Section 1006 of the Federal Financial Institutions  
17 Examination Council Act of 1978 (12 U.S.C. 3305) is  
18 amended by adding at the end the following new sub-  
19 section:

20 “(g) The council shall consult and assist the Federal  
21 entities for lending regulation and the Secretary of Hous-  
22 ing and Urban Development in developing and coordinat-  
23 ing uniform standards and requirements for use by lenders  
24 as provided under the National Flood Insurance Act of  
25 1968 and the Flood Disaster Protection Act of 1973.”.

1 **SEC. 112. CLERICAL AMENDMENTS.**

2 Section 102 of the Flood Disaster Protection Act of  
3 1973 (42 U.S.C. 4012a) is amended—

4 (1) by striking the section heading and insert-  
5 ing the following new section heading:

6 “FLOOD INSURANCE PURCHASE AND COMPLIANCE  
7 REQUIREMENTS AND ESCROW ACCOUNTS”; and

8 (2) in subsection (c), by inserting “EXCEPTION  
9 TO PURCHASE REQUIREMENTS FOR STATE-OWNED  
10 PROPERTY.—” before “Notwithstanding”.

11 **TITLE II—FLOOD INSURANCE**  
12 **PREMIUM RATES AND COV-**  
13 **ERAGE AMOUNTS**

14 **SEC. 201. PREFERENCE FOR CHARGING ACTUARIAL RATES.**

15 Section 1308(b) of the National Flood Insurance Act  
16 of 1968 (42 U.S.C. 4015(b)) is amended—

17 (1) in the matter preceding paragraph (1), by  
18 striking “shall, insofar as practicable, be”;

19 (2) in each of paragraphs (1), (3), and (4), by  
20 inserting “shall, insofar as practicable, be” after the  
21 paragraph designation; and

22 (3) by striking paragraph (2) and inserting the  
23 following new paragraph:

24 “(2) shall be adequate, on the basis of accepted  
25 actuarial principles, to provide reserves for antici-

1       pated losses, except that such rates may be less than  
2       such amount only if—

3               “(A) the rates are necessary to carry out—

4                       “(i) the objective of making flood in-  
5                       surance available where necessary at rea-  
6                       sonable rates to encourage prospective  
7                       insureds to purchase such insurance, and

8                       “(ii) the purposes of this title, and

9               “(B) with respect to rates in effect at any  
10              time after the expiration of the 1-year period  
11              beginning on the date of the enactment of the  
12              Flood Insurance Risk Management Act of  
13              1994.

14                       “(i) the Director has certified to the  
15                       President and the Congress that, during a  
16                       specified period that does not exceed 2  
17                       years and begins on or after the date of  
18                       such certification, such rates are necessary  
19                       to carry out the objective referred to in  
20                       subparagraph (A)(i), and

21                       “(ii) the period referred to in the cer-  
22                       tification has not expired,”.

1 **SEC. 202. COMMUNITY RATING SYSTEM AND INCENTIVES**  
2 **FOR FLOOD DAMAGE MITIGATION MEAS-**  
3 **URES.**

4 (a) IN GENERAL.—Section 1315 of the National  
5 Flood Insurance Act of 1968 (42 U.S.C. 4022) is amend-  
6 ed—

7 (1) by inserting after “SEC. 1315.” the follow-  
8 ing: “(a) REQUIREMENT FOR PARTICIPATION IN  
9 FLOOD INSURANCE PROGRAM.—”; and

10 (2) by adding at the end the following new sub-  
11 section:

12 “(b) COMMUNITY RATING SYSTEM AND INCENTIVES  
13 FOR FLOOD DAMAGE MITIGATION MEASURES.—

14 “(1) AUTHORITY AND GOALS.—The Director  
15 shall carry out a program under this subsection es-  
16 tablishing a community rating system and providing  
17 incentives for community floodplain management  
18 and flood damage mitigation measures. The program  
19 shall evaluate—

20 “(A) measures adopted by areas (and sub-  
21 divisions thereof) in which the Director has  
22 made flood insurance coverage available—

23 “(i) to provide for adequate land use  
24 and control provisions consistent with the  
25 comprehensive criteria for such land man-  
26 agement and use under section 1361;

1 “(ii) to facilitate accurate risk-rating;

2 “(iii) to promote flood insurance  
3 awareness;

4 “(iv) to complement adoption of more  
5 effective measures for floodplain and coast-  
6 al erosion management; and

7 “(v) to reduce the risk of flood dam-  
8 age to properties within such area; and

9 “(B) flood damage mitigation measures  
10 taken by owners of properties for which such  
11 coverage is provided.

12 “(2) INCENTIVES.—The program under this  
13 subsection shall provide incentives in the form of ad-  
14 justments in the premium rates for flood insurance  
15 coverage as follows:

16 “(A) AREA-WIDE ADJUSTMENT FOR ADOPT-  
17 ION OF GOALS OR MITIGATION MEASURES.—

18 For any area that the Director determines has  
19 adopted and enforced the goals of the commu-  
20 nity rating system under this subsection on an  
21 area-wide basis or completed flood damage miti-  
22 gation or erosion control measures that reduce  
23 the risk of flood damage to properties within  
24 such area to the extent established by the Di-  
25 rector, the Director shall adjust such premium

1 rates for flood insurance coverage for properties  
2 located in such area.

3 “(B) AREA-WIDE ADJUSTMENT FOR PRO-  
4 TECTION OF FLOODPLAIN FUNCTIONS.—For  
5 any area that the Director determines has im-  
6 plemented measures relating to the protection  
7 of natural and beneficial floodplain functions,  
8 the Director may provide for additional adjust-  
9 ments in such premium rates for properties lo-  
10 cated in such area.

11 “(C) AREA-WIDE ADJUSTMENT TO COM-  
12 PENSATE FOR FLOOD CONTROL PROJECTS.—  
13 For any area within which such flood insurance  
14 premium rates have increased as a result of in-  
15 duced flooding risk from flood control or miti-  
16 gation projects, as determined by the Director,  
17 the Director may provide for additional adjust-  
18 ments in such premium rates for properties lo-  
19 cated in such area, except that the adjustment  
20 shall not reduce premium rates below the rate  
21 that would have been charged absent the risk of  
22 induced flooding from the flood control or miti-  
23 gation projects.

24 “(D) PROPERTY-SPECIFIC ADJUSTMENT  
25 FOR MITIGATION MEASURES.—For any property

1           for which any flood damage mitigation measure  
2           has been completed that reduces the risk of  
3           flood damage to the property to the extent es-  
4           tablished by the Director, the Director shall ad-  
5           just the premium rate for flood insurance cov-  
6           erage for such property.

7           “(3) FLOOD DAMAGE MITIGATION MEASURES.—  
8           For purposes of this subsection, flood damage miti-  
9           gation measures shall include the establishment of  
10          buffer zones, flood proofing, dune construction and  
11          maintenance, beach nourishment, construction and  
12          maintenance of sea walls and levees, and any other  
13          measures and activities that the Director considers  
14          appropriate to reduce the risk of flood damage to a  
15          property or an area.

16          “(4) EROSION CONTROL MEASURES.—For pur-  
17          poses of this subsection, the term ‘erosion control  
18          measures’ means any activities by an area to control  
19          erosion through structural and nonstructural  
20          projects.

21          “(5) FUNDS.—The Director shall carry out the  
22          program under this subsection with amounts, as the  
23          Director determines necessary, from the National  
24          Flood Insurance Fund under section 1310 and any

1 other amounts that may be appropriated for such  
2 purpose.

3 “(6) REPORTS.—The Director shall submit a  
4 report to the Congress regarding the program under  
5 this subsection not later than the expiration of the  
6 2-year period beginning on the date of the enact-  
7 ment of the Flood Insurance Risk Management Act  
8 of 1994. The Director shall submit a report under  
9 this paragraph not less than every 2 years there-  
10 after. Each report under this paragraph shall in-  
11 clude an analysis of the cost-effectiveness and other  
12 accomplishments and shortcomings of the program  
13 and any recommendations of the Director for legisla-  
14 tion regarding the program.”.

15 (b) FUNDING.—Section 1310(a) of the National  
16 Flood Insurance Act of 1968 (42 U.S.C. 4017(a)) is  
17 amended—

18 (1) in paragraph (4), by striking “and” at the  
19 end;

20 (2) by redesignating paragraph (5) as para-  
21 graph (7); and

22 (3) by inserting after paragraph (4) the follow-  
23 ing new paragraph:

24 “(5) for carrying out the program under section  
25 1315(b);”.

1 **SEC. 203. COMMUNITY PREMIUM-POOLING PROGRAM.**

2 Part C of chapter II of the National Flood Insurance  
3 Act of 1968 (42 U.S.C. 4081 et seq.) is amended by add-  
4 ing at the end the following new section:

5 “COMMUNITY PREMIUM-POOLING PROGRAM

6 “SEC. 1349. (a) IN GENERAL.—The Director shall  
7 carry out a program under which the premiums for flood  
8 insurance coverage under this title for all properties in an  
9 area (or subdivision thereof) may be paid to the Director  
10 by a single appropriate public body or agency.

11 “(b) POOLING AGREEMENT.—Under the program,  
12 the Director shall allow such payment to be made only  
13 if the Director and such body or agency enter into a writ-  
14 ten agreement under which—

15 “(1) the area to which such agreement applies  
16 is clearly defined;

17 “(2) the public body or agency entering into the  
18 agreement has jurisdiction over the entire area for  
19 which such premium payments will be made;

20 “(3) the term of the agreement is clearly  
21 stated;

22 “(4) the Director authorizes the public body or  
23 agency to collect premiums charged for flood insur-  
24 ance coverage under this title, on behalf of the Di-  
25 rector during the term of the agreement, for each  
26 property located in the area that is covered during

1 the term of the agreement (including structures  
2 newly constructed during the term of the agree-  
3 ment), or such lesser amount as may be agreed to  
4 by the Director and the public body or agency; and

5 “(5) the amount to be paid to the Director by  
6 the public agency or body is equal to the sum of all  
7 premiums charged for flood insurance coverage  
8 under this title during the term of the agreement for  
9 all properties located in the area that are covered  
10 during the term of the agreement.

11 “(c) EXEMPTION FROM ESCROW REQUIREMENTS.—  
12 During the term of an agreement under subsection (b),  
13 section 102(d) of the Flood Disaster Protection Act of  
14 1973 shall not apply to any loan secured by a property  
15 located in the area to which the agreement applies.”.

16 **SEC. 204. MAXIMUM FLOOD INSURANCE COVERAGE**  
17 **AMOUNTS.**

18 (a) IN GENERAL.—Section 1306(b) of the National  
19 Flood Insurance Act of 1968 (42 U.S.C. 4013(b)) is  
20 amended as follows:

21 (1) RESIDENTIAL PROPERTY.—In paragraph  
22 (2), by striking “an amount of \$150,000 under the  
23 provisions of this clause” and inserting the follow-  
24 ing: “a total amount (including such limits specified  
25 in paragraph (1)(A)(i)) equal to the dollar amount

1 limitation pursuant to section 305(a)(2) of the Fed-  
2 eral Home Loan Mortgage Corporation Act in effect  
3 for a single-family residence”.

4 (2) RESIDENTIAL PROPERTY CONTENTS.—In  
5 paragraph (3), by striking “an amount of \$50,000  
6 under the provisions of this clause” and inserting  
7 the following: “a total amount (including such limits  
8 specified in paragraph (1)(A)(ii)) of \$100,000”.

9 (3) NONRESIDENTIAL PROPERTY AND CON-  
10 TENTS.—By striking paragraph (4) and inserting  
11 the following new paragraph:

12 “(4) in the case of any nonresidential property,  
13 including churches, for which the risk premium rate  
14 is determined in accordance with the provisions of  
15 section 1307(a)(1), additional flood insurance in ex-  
16 cess of the limits specified in subparagraphs (B) and  
17 (C) of paragraph (1) shall be made available to  
18 every insured upon renewal and every applicant for  
19 insurance, in respect to any single structure, up to  
20 a total amount (including such limits specified in  
21 subparagraph (B) or (C) or paragraph (1), as appli-  
22 cable) of \$500,000 for each structure and \$500,000  
23 for any contents related to each structure; and”.

1 (b) REMOVAL OF CEILING ON COVERAGE RE-  
2 QUIRED.—Section 1306(b) of the National Flood Insur-  
3 ance Act of 1968 (42 U.S.C. 4013(b)) is amended—

4 (1) in paragraph (5), by striking “; and” at the  
5 end and inserting a period; and

6 (2) by striking paragraph (6).

7 **SEC. 205. STUDY OF ECONOMIC EFFECTS OF CHARGING AC-**  
8 **TUARIALLY-BASED PREMIUM RATES FOR**  
9 **PRE-FIRM STRUCTURES.**

10 (a) STUDY.—The Director of the Federal Emergency  
11 Management Agency (in this section referred to as the  
12 “Director”) shall conduct a study of the economic effects  
13 that would result from increasing premium rates for flood  
14 insurance coverage made available under the national  
15 flood insurance program for pre-FIRM structures to the  
16 full actuarially based premium rate determined under sec-  
17 tion 1307(a)(1) of the National Flood Insurance Act of  
18 1968 for the area in which the property is located. In con-  
19 ducting the study, the Director shall—

20 (1) determine each area that would be subject  
21 to such increased premium rates; and

22 (2) for each such area, determine—

23 (A) the amount by which premium rates  
24 would be increased;

1 (B) the number and types of properties af-  
2 fected and the number and types of properties  
3 covered by flood insurance under this title likely  
4 to cancel such insurance if the rate increases  
5 were made;

6 (C) the effects that the increased premium  
7 rates would have on land values and property  
8 taxes; and

9 (D) any other effects that the increased  
10 premium rates would have on the economy and  
11 homeowners.

12 (b) DEFINITION OF “PRE-FIRM STRUCTURE”.—For  
13 purposes of subsection (a), the term “pre-FIRM struc-  
14 ture” means a structure that was not constructed or sub-  
15 stantially improved after the later of—

16 (1) December 31, 1974; or

17 (2) the effective date of the initial rate map  
18 published by the Director under section 1360(a)(2)  
19 of the National Flood Insurance Act of 1968 for the  
20 area in which such structure is located.

21 (c) REPORT.—The Director shall submit a report to  
22 the Congress describing and explaining the findings of the  
23 study conducted under this section. The report shall be  
24 submitted not later than 12 months after the date of the  
25 enactment of this Act.

1 **SEC. 206. GAO STUDY OF ECONOMIC IMPACT OF EROSION**  
2 **HAZARD AREAS.**

3 (a) REPORT TO CONGRESS.—Not later than 3 years  
4 after the date of enactment of this Act, the Comptroller  
5 General of the United States shall submit to the Congress  
6 a report assessing the economic impact of the denial of  
7 flood insurance and the establishment of actuarial rates  
8 on communities that are likely to be identified as having  
9 erosion hazard areas. The report shall include—

10 (1) a listing of all communities that are likely  
11 to be identified having an erosion hazard area;

12 (2) an independent assessment, after consulta-  
13 tion with such communities, of the economic impact  
14 of the denial of flood insurance for new construction  
15 and the assessment of actuarial rates in the erosion  
16 hazard areas, including the impact on—

17 (A) the value of residential and commercial  
18 properties in the erosion hazard area;

19 (B) community tax revenues due to  
20 changes in property values or commercial activ-  
21 ity;

22 (C) employment, including the potential  
23 loss of existing and new jobs in the community;

24 (D) existing businesses and future eco-  
25 nomic development; and

1 (E) the estimated cost of Federal and  
2 State disaster assistance to flood victims that  
3 would have otherwise been insured by available  
4 and affordable flood insurance;

5 (3) an estimate of the cross-subsidy of insur-  
6 ance premiums in such communities, and the impact  
7 of eliminating the cross-subsidy on those commu-  
8 nities and the financial condition of the National  
9 Flood Insurance Fund;

10 (4) the estimated savings to the National Flood  
11 Insurance Program likely to result from expending  
12 \$25,000,000 from the National Flood Insurance  
13 Fund to map erosion hazard areas; and

14 (5) an assessment of the need for the develop-  
15 ment of a Community Erosion Hazard Management  
16 Program and, if needed, recommendations consistent  
17 with the goal of providing affordable flood insurance  
18 protection under the National Flood Insurance Pro-  
19 gram, which would minimize the economic impact on  
20 communities assessed under paragraph (2).

21 (b) DEFINITION OF EROSION HAZARD AREA.—For  
22 the purposes of this section, the term “erosion hazard  
23 area” means, based on erosion rate information and other  
24 historical data available, an area where erosion or avulsion

1 is likely to result in damage to or loss of buildings and  
2 infrastructure during a 60-year period.

3 **TITLE III—REVOLVING LOAN**  
4 **FUND FOR FLOOD AND ERO-**  
5 **SION DAMAGE MITIGATION**  
6 **ACTIVITIES AND ADDITIONAL**  
7 **MITIGATION COVERAGE**

8 **SEC. 301. FLOOD AND EROSION RISK MANAGEMENT FUND.**

9 (a) IN GENERAL.—Chapter III of the National Flood  
10 Insurance Act of 1968 (42 U.S.C. 4101 et seq.) is amend-  
11 ed by adding at the end the following new section:

12 “LOANS FOR FLOOD AND EROSION RISK MANAGEMENT  
13 “SEC. 1365. (a) ESTABLISHMENT OF FUND AND  
14 USE.—There is established in the Treasury of the United  
15 States a revolving fund to be known as the Flood and Ero-  
16 sion Risk Management Fund (in this section referred to  
17 as the ‘Fund’). To the extent provided in appropriation  
18 Acts, amounts in the Fund may be used only by the Direc-  
19 tor for making loans under subsection (d) and investments  
20 under subsection (c), and to repay any amounts borrowed  
21 pursuant to subsection (b)(2) with interest on such  
22 amounts.

23 “(b) CREDITS.—The Fund shall be credited with—  
24 “(1) any surcharges collected under section  
25 1308(e);

1           “(2) any amounts borrowed pursuant to sub-  
2 section (e);

3           “(3) any loan repayments under subsection  
4 (d)(3);

5           “(4) any interest earned on investments of the  
6 Fund pursuant to subsection (c);

7           “(5) any amounts repaid or recovered under  
8 subsection (d)(4); and

9           “(6) any other receipts or proceeds derived  
10 from any claim or other assets acquired by the Di-  
11 rector pursuant to this section.

12          “(c) INVESTMENTS.—If the Director determines that  
13 the amounts in the Fund are in excess of amounts needed  
14 for loans under subsection (d), the Director may invest  
15 any excess amounts the Director determines advisable in  
16 interest-bearing obligations issued or guaranteed by the  
17 United States.

18          “(d) LOANS.—

19               “(1) AUTHORITY.—Using amounts in the  
20 Fund, the Director may make loans—

21                       “(A) to public bodies or agencies of com-  
22 munities participating in the national flood in-  
23 surance program pursuant to section 1315 for  
24 the purpose of carrying out flood damage and

1 erosion mitigation activities for the community;  
2 and

3 “(B) to individuals who own property cov-  
4 ered by a contract for flood insurance under  
5 this title for the purposes of carrying out flood  
6 damage and erosion mitigation activities for the  
7 property.

8 “(2) ELIGIBLE ACTIVITIES.—Amounts from  
9 loans made under this subsection may be used only  
10 for carrying out the flood damage and erosion miti-  
11 gation activities that have been described in the ap-  
12 plication for the loan and approved by the Director.  
13 The Director shall determine activities eligible for  
14 loans under this subsection, which shall include flood  
15 proofing, dune construction and maintenance, acqui-  
16 sition of property by public entities for public owner-  
17 ship or the establishment of buffer zones, beach  
18 nourishment, construction, repair, or maintenance of  
19 sea walls and levees, and any other measures and  
20 activities that the Director considers appropriate to  
21 reduce the risk of flood damage and erosion to a  
22 property or an area.

23 “(3) INTEREST AND REPAYMENT.—Loans made  
24 under this section shall bear interest at a rate deter-  
25 mined by the Director, which may not exceed 3 per-

1 cent per annum, and shall be repayable to the Fund  
2 at such time and upon such terms and conditions es-  
3 tablished and agreed to by the Director and the  
4 borrower.

5 “(4) DEFAULT.—Each agreement for a loan  
6 made under this section shall provide that if the Di-  
7 rector determines at any time that the borrower has  
8 not used the amounts of the loan in accordance with  
9 this subsection or the provisions of the loan agree-  
10 ment, the Director may—

11 “(A) recover the amount of the loan; or

12 “(B) require the borrower to repay the  
13 amount of the loan within the term of the loan  
14 at an annual rate of interest over such term  
15 equal to the sum of the existing annual rate for  
16 comparable commercial loans, as determined by  
17 the Director, plus 1 percent.

18 “(e) BORROWING AUTHORITY.—

19 “(1) INITIAL.—Pursuant to section 1310(a)(6),  
20 upon the establishment of the Fund under this sec-  
21 tion and with the approval of the Secretary of the  
22 Treasury, the Director may borrow an amount from  
23 the National Flood Insurance Fund not exceeding  
24 \$20,000,000 for deposit in the Fund under this  
25 section.

1           “(2) ONGOING.—In addition to any amounts  
2 borrowed under paragraph (1), before October 1,  
3 1999, the Director may, with the approval of the  
4 Secretary of the Treasury, borrow amounts from the  
5 National Flood Insurance Act pursuant to section  
6 1310(a)(6) for deposit in the Fund under this sec-  
7 tion. The sum of amounts borrowed under this para-  
8 graph may not exceed \$30,000,000.

9           “(3) TERMS AND CONDITIONS.—Any amounts  
10 borrowed under this subsection shall be repaid to the  
11 National Flood Insurance Fund, with interest, and  
12 shall be evidenced by notes and other obligations is-  
13 sued by the Director. The notes and obligations shall  
14 be in such forms and denominations, bear such ma-  
15 turities, and be subject to such terms and conditions  
16 as may be prescribed by the Director, with the ap-  
17 proval of the Secretary of the Treasury. Such notes  
18 and other obligations shall bear interest at a rate de-  
19 termined by the Secretary of the Treasury, taking  
20 into consideration the current average market yield  
21 on outstanding marketable obligations of the United  
22 States of comparable maturities during the month  
23 preceding the issuance of such notes or other obliga-  
24 tions.”.

1 (b) NATIONAL FLOOD INSURANCE FUND.—Section  
2 1310 of the National Flood Insurance Act of 1968 (42  
3 U.S.C. 4017) is amended—

4 (1) in subsection (a), by inserting after para-  
5 graph (5) (as added by section 202(b)(3) of this  
6 Act) the following new paragraph:

7 “(6) for making loans to the Flood and Erosion  
8 Risk Management Fund, subject to the provisions of  
9 section 1365(e); and”;

10 (2) in subsection (b), by inserting after para-  
11 graph (6) (as added by section 105(b)(3) of this  
12 Act) the following new paragraph:

13 “(7) repayments of amounts borrowed under  
14 section 1365(e) and interest on such amounts;”.

15 **SEC. 302. FLOOD INSURANCE PREMIUM SURCHARGES.**

16 Section 1308 of the National Flood Insurance Act of  
17 1968 (42 U.S.C. 4015) is amended by adding at the end  
18 the following new subsection:

19 “(e) INSURANCE PREMIUM SURCHARGES FOR FLOOD  
20 RISK MANAGEMENT.—

21 “(1) MANDATORY ONE-TIME SURCHARGE.—  
22 Notwithstanding any other provision of this title, the  
23 Director shall assess, with respect to each contract  
24 for flood insurance coverage under this title issued  
25 or renewed after the date of the enactment of the

1 Flood Insurance Risk Management Act of 1994, a  
2 surcharge of—

3 “(A) \$15 for each principal residence cov-  
4 ered under the policy; and

5 “(B) \$40 for each secondary residence or  
6 structure other than a primary residence (in-  
7 cluding commercial structures) covered under  
8 the policy.

9 The Director may not assess a surcharge under this  
10 paragraph for any residence or other structure for  
11 which such a surcharge has previously been assessed  
12 and paid.

13 “(2) AUTHORITY FOR POLICY-TERM SUR-  
14 CHARGES.—If the Director determines that the  
15 amounts in the Flood Risk Management Fund es-  
16 tablished under section 1365(a) are insufficient to  
17 meet the demand for loans under section 1365(d),  
18 the Director may assess, with respect to each con-  
19 tract for flood insurance coverage under this title is-  
20 sued or renewed after a date established by the Di-  
21 rector, a surcharge of—

22 “(A) \$5 per policy term, for each structure  
23 that is a principal residence covered under the  
24 policy; and

1           “(B) \$15 per policy term, for each struc-  
2           ture that is a secondary residence or structure  
3           other than a primary residence (including a  
4           commercial structure) covered under the policy.

5           The Director may terminate the surcharges estab-  
6           lished under this paragraph at any time, in the dis-  
7           cretion of the Director.

8           “(3) DEPOSIT IN MITIGATION FUND.—Any sur-  
9           charges collected under this subsection shall be paid  
10          into the Flood Risk Management Fund established  
11          under section 1365(a).

12          “(4) EXEMPTION.—The surcharges under this  
13          subsection shall not be subject to any agents’ com-  
14          missions, company expenses allowances, or State or  
15          local premium taxes.”.

16 **SEC. 303. ADDITIONAL COVERAGE FOR MITIGATION ACTIVI-**  
17 **TIES.**

18          (a) BASIC AUTHORITY.—Section 1304(a) of the Na-  
19          tional Flood Insurance Act of 1968 (42 U.S.C. 4011(a))  
20          is amended by adding after the period at the end the fol-  
21          lowing new sentence: “Insurance made available under  
22          this title shall include coverage for certain costs of comply-  
23          ing with land use and control measures adopted pursuant  
24          to section 1315, as provided in section 1306(c)”.

1 (b) TERMS OF MITIGATION COVERAGE.—Section  
2 1306 of the National Flood Insurance Act of 1968 (42  
3 U.S.C. 4011(a)) is amended by adding at the end the fol-  
4 lowing new subsection:

5 “(d) TERMS OF MITIGATION COVERAGE.—Coverage  
6 under flood insurance made available under this title shall  
7 provide payment for a portion of the costs of activities to  
8 bring a property into compliance with land use and control  
9 measures adopted pursuant to section 1315, pursuant to  
10 an approved claim for such costs and subject to the follow-  
11 ing limitations:

12 “(1) REPETITIVE LOSS REQUIREMENT.—Such  
13 coverage shall only cover such costs incurred for a  
14 property that is determined to be repetitive loss  
15 structure for purposes of section 1308(g).

16 “(2) POST-FLOOD EVENT CLAIMS.—Such cov-  
17 erage shall provide payment for 40 percent of the  
18 costs of such compliance activities that are per-  
19 formed after the first flood event resulting in dam-  
20 age to the property that occurs after the property  
21 becomes a repetitive loss structure for purposes of  
22 section 1308(g).

23 “(3) PRE-FLOOD EVENT CLAIMS.—Such cov-  
24 erage shall provide payment for 60 percent of the  
25 costs of such compliance activities that are per-

1 formed before the flood event resulting in damage to  
2 the property that occurs after the property becomes  
3 a repetitive loss structure for purposes of section  
4 1308(g).”.

5 (c) SURCHARGES FOR MITIGATION COVERAGE.—

6 (1) IN GENERAL.—Section 1308 of the Na-  
7 tional Flood Insurance Act of 1968 (42 U.S.C.  
8 4015) is amended by adding after subsection (e) (as  
9 added by section 302 of this Act) the following new  
10 subsection:

11 “(f) MITIGATION COVERAGE SURCHARGES.—

12 “(1) IN GENERAL.—Notwithstanding any other  
13 provision of this title, the Director shall assess, with  
14 respect to each contract for flood insurance coverage  
15 under this title issued or renewed after the date of  
16 the enactment of the Flood Insurance Risk Manage-  
17 ment Act of 1994, a surcharge of—

18 “(A) \$20 per policy term, for each struc-  
19 ture that is a principal residence covered under  
20 the policy; and

21 “(B) \$30 per policy term, for each struc-  
22 ture that is a secondary residence or structure  
23 other than a primary residence (including a  
24 commercial structure) covered under the policy.

1           “(2) DEPOSIT IN FLOOD INSURANCE FUND.—  
2           Any surcharges collected under this subsection shall  
3           be paid into the National Flood Insurance Fund  
4           established under section 1310.”.

5           (2) NATIONAL FLOOD INSURANCE FUND.—Sec-  
6           tion 1310(b) of the National Flood Insurance Act of  
7           1968 (42 U.S.C. 4017(b)) is amended by inserting  
8           after paragraph (7) (as added by section 301(b)(2)  
9           of this Act) the following new paragraph:

10           “(8) any surcharges collected under section  
11           1308(f); and”.

## 12           **TITLE IV—MISCELLANEOUS** 13           **PROVISIONS**

### 14           **SEC. 401. EXTENSION OF FLOOD INSURANCE PROGRAM.**

15           (a) IN GENERAL.—Section 1319 of the National  
16           Flood Insurance Act of 1968 (42 U.S.C. 4026) is amended  
17           by striking “September 30, 1995” and inserting “Septem-  
18           ber 30, 1999”.

19           (b) EMERGENCY IMPLEMENTATION.—Section  
20           1336(a) of the National Flood Insurance Act of 1968 (42  
21           U.S.C. 4056(a)) is amended by striking “September 30,  
22           1995” and inserting “September 30, 1999”.

23           (c) LIMITATION ON ANNUAL PREMIUM INCREASES.—  
24           Section 541(d) of the Housing and Community Develop-  
25           ment Act of 1987 (42 U.S.C. 4015 note) is amended by

1 striking “September 30, 1995” and inserting “September  
2 30, 1999”.

3 **SEC. 402. TERMINATION OF EROSION-THREATENED STRUC-**  
4 **TURES PROGRAM.**

5 (a) IN GENERAL.—Section 1306 of the National  
6 Flood Insurance Act of 1968 (42 U.S.C. 4013) is amend-  
7 ed—

8 (1) by striking subsection (c); and

9 (2) by redesignating subsection (d) (as added  
10 by section 303(b) of this Act) as subsection (c).

11 (b) TRANSITION PHASE.—Notwithstanding sub-  
12 section (a), during the 1-year period beginning on the date  
13 of the enactment of this Act, the Director of the Federal  
14 Emergency Management Agency may pay amounts under  
15 flood insurance contracts for demolition or relocation of  
16 structures as provided in section 1306(c) of the National  
17 Flood Insurance Act of 1968 (as in effect immediately be-  
18 fore the enactment of this Act).

19 (c) SAVINGS PROVISION.—Notwithstanding sub-  
20 section (a), the Director shall take any action necessary  
21 to make payments under flood insurance contracts pursu-  
22 ant to any commitments made before the expiration of the  
23 period referred to in subsection (b) pursuant to the au-  
24 thority under section 1306(c) of the National Flood Insur-

1 ance Act of 1968 (as in effect immediately before the en-  
2 actment of this Act) or subsection (b).

3 **SEC. 403. LIMITATIONS ON CLAIMS FOR REPETITIVELY**  
4 **DAMAGED STRUCTURES.**

5 Section 1308 of the National Flood Insurance Act of  
6 1968 (42 U.S.C. 4013) is amended by adding after sub-  
7 section (f) (as added by section 303(c) of this Act) the  
8 following new subsection:

9 “(g) RATES FOR REPETITIVE LOSS STRUCTURES.—

10 “(1) IN GENERAL.—Subject only to paragraphs  
11 (2) and (3), after the expiration of the 3-year period  
12 beginning on the date of the enactment of the Flood  
13 Insurance Risk Management Act of 1994, the  
14 chargeable rate with respect to any repetitive loss  
15 structure shall be not less than the applicable esti-  
16 mated risk premium rate under section 1307(a)(1)  
17 for the area (or subdivision thereof) in which the  
18 structure is located.

19 “(2) LIMITATION ON PREMIUM INCREASES.—

20 The Director may not, pursuant to this subsection,  
21 increase the risk premium rates charged for flood in-  
22 surance under this title for any repetitive loss struc-  
23 ture by an amount that would result in the sum of  
24 such rate increases for the structure during any 12-  
25 month period exceeding 5 percent of the amount of

1 the risk premium rate applicable to the property  
2 upon the commencement of the 12-month period.

3 “(3) EXEMPTION FOR CERTAIN STRUCTURES.—  
4 The Director shall exempt any repetitive loss struc-  
5 ture for which construction or substantial improve-  
6 ment was started before January 1, 1975, from the  
7 requirements of paragraph (1), if the Director deter-  
8 mines that the physical and structural characteris-  
9 tics of the structure prevent taking any flood dam-  
10 age mitigation activities that (A) have a reasonable  
11 cost (taking into consideration the value of the  
12 structure), and (B) would substantially reduce the  
13 risk of flood damage to the structure.

14 “(4) REPETITIVE LOSS STRUCTURE.—For pur-  
15 poses of this subsection, a repetitive loss structure  
16 shall be any structure that the Director has deter-  
17 mined—

18 “(A) is covered by a contract for flood in-  
19 surance under this title under which, imme-  
20 diately before the determination under this  
21 paragraph, the chargeable rate was less than  
22 the applicable estimated risk premium rate  
23 under section 1307(a)(1) for the area (or sub-  
24 division thereof) in which the structure is  
25 located;

1           “(B) has incurred significant flood damage  
2           on not less than 2 occasions over the 10-year  
3           period ending upon the determination under  
4           this paragraph and the damage on each such  
5           occasion equaled or exceeded 25 percent of the  
6           value of the structure at the time of the flood  
7           event.”.

8   **SEC. 404. PENALTIES FOR REPETITIVE CLAIMS.**

9           Section 1312 of the National Flood Insurance Act of  
10          1968 (42 U.S.C. 4019) is amended—

11           (1) by inserting “(a) IN GENERAL.—” before  
12          “The Director”; and

13           (2) by adding at the end the following new sub-  
14          section:

15          “(b) PENALTIES FOR REPETITIVE CLAIMS.—

16           “(1) IN GENERAL.—In making coverage for  
17          flood insurance available under this title, the Direc-  
18          tor shall establish a schedule of penalties for repet-  
19          itive claims for losses covered by flood insurance and  
20          shall charge such a penalty according to the sched-  
21          ule upon approval of any such claim or deduct the  
22          amount of the penalty from the payment of any such  
23          approved claim. Such penalties shall apply only to  
24          contracts for flood insurance entered into after the  
25          expiration of the 1-year period beginning upon the

1 date of the enactment of the Flood Insurance Risk  
2 Management Act of 1994.

3 “(2) TERMS.—In establishing the amount of  
4 any penalty under this subsection for a repetitive  
5 claim, the Director shall consider the number of  
6 claims made on a property and approved before the  
7 repetitive claim for which the penalty is imposed and  
8 the amounts of such prior claims.

9 “(3) REPETITIVE CLAIM.—For purposes of this  
10 subsection, a repetitive claim shall be a proved and  
11 approved claim for losses to a property under a con-  
12 tract for flood insurance under this title that—

13 “(A) equals or exceeds \$5,000; and

14 “(B) is made for the same property for  
15 which 2 or more previous claims under a con-  
16 tract for flood insurance under this title have  
17 been made and approved, each of which equaled  
18 or exceeded \$5,000.”.

19 **SEC. 405. FLOOD INSURANCE PROGRAM ARRANGEMENTS**  
20 **WITH PRIVATE INSURANCE ENTITIES.**

21 Section 1345(b) of the National Flood Insurance Act  
22 of 1968 (42 U.S.C. 4081(b)) is amended by striking the  
23 period at the end and inserting the following: “and without  
24 regard to the provisions of the Federal Advisory Commit-  
25 tee Act (5 U.S.C. App.).”.

1 **SEC. 406. AUTHORIZATION OF APPROPRIATIONS.**

2       There are authorized to appropriated such sums as  
3 may be necessary to carry out this Act and the amend-  
4 ments made by this Act.

○

HR 4125 IH—2

HR 4125 IH—3

HR 4125 IH—4

HR 4125 IH—5