

# Union Calendar No. 404

114<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 2901

[Report No. 114–524]

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

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 2015

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

APRIL 26, 2016

Additional sponsors: Mr. JOLLY, Mr. EMMER of Minnesota, Mr. POSEY, Mr. NEUGEBAUER, Mr. PITTENGER, Mr. MULVANEY, Mr. HILL, Mrs. WAGNER, Mr. HUIZENGA of Michigan, Mr. BARR, Mr. KING of New York, Mr. LUCAS, Mr. MARINO, Mr. ZINKE, Mr. FORTENBERRY, Mr. MACARTHUR, Mr. PALAZZO, Mr. WILLIAMS, Mr. SCALISE, Mr. SMITH of Texas, Mr. COFFMAN, Mr. ROYCE, Mr. MESSER, Mr. SHERMAN, Mr. BILIRAKIS, Mr. HULTGREN, Mr. ROTHFUS, Mr. ASHFORD, Mr. JOHNSON of Ohio, Mr. PERLMUTTER, Mr. RICE of South Carolina, Mr. ROKITA, Mr. MOOLENAAR, Ms. MOORE, Mr. HECK of Washington, Mr. VARGAS, Mrs. CAROLYN B. MALONEY of New York, Mrs. BUSTOS, Ms. CASTOR of Florida, Mr. BRENDAN F. BOYLE of Pennsylvania, Mr. CAPUANO, Mr. KILDEE, and Mr. BOUSTANY

APRIL 26, 2016

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

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

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

# **A BILL**

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

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.**

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

6       **SEC. 2. PRIVATE FLOOD INSURANCE.**

7       *(a) MANDATORY PURCHASE REQUIREMENT.—*

8               *(1) AMOUNT AND TERM OF COVERAGE.—Section*  
 9       *102 of the Flood Disaster Protection Act of 1973 (42*  
 10       *U.S.C. 4012a) is amended by striking “Sec. 102. (a)”*  
 11       *and all that follows through the end of subsection (a)*  
 12       *and inserting the following:*

13       *“SEC. 102. (a) AMOUNT AND TERM OF COVERAGE.—*  
 14       *After the expiration of sixty days following the date of en-*  
 15       *actment of this Act, no Federal officer or agency shall ap-*  
 16       *prove any financial assistance for acquisition or construc-*  
 17       *tion purposes for use in any area that has been identified*  
 18       *by the Administrator as an area having special flood haz-*  
 19       *ards and in which the sale of flood insurance has been made*  
 20       *available under the National Flood Insurance Act of 1968,*  
 21       *unless the building or mobile home and any personal prop-*  
 22       *erty to which such financial assistance relates is covered*  
 23       *by flood insurance: Provided, That the amount of flood in-*  
 24       *surance (1) in the case of Federal flood insurance, is at*  
 25       *least equal to the development or project cost of the building,*

1 mobile home, or personal property (less estimated land  
 2 cost), the outstanding principal balance of the loan, or the  
 3 maximum limit of Federal flood insurance coverage made  
 4 available with respect to the particular type of property,  
 5 whichever is less; or (2) in the case of private flood insur-  
 6 ance, is at least equal to the development or project cost  
 7 of the building, mobile home, or personal property (less esti-  
 8 mated land cost), the outstanding principal balance of the  
 9 loan, or the maximum limit of Federal flood insurance cov-  
 10 erage made available with respect to the particular type of  
 11 property, whichever is less: Provided further, That if the  
 12 financial assistance provided is in the form of a loan or  
 13 an insurance or guaranty of a loan, the amount of flood  
 14 insurance required need not exceed the outstanding prin-  
 15 cipal balance of the loan and need not be required beyond  
 16 the term of the loan. The requirement of maintaining flood  
 17 insurance shall apply during the life of the property, re-  
 18 gardless of transfer of ownership of such property.”.

19 (2) REQUIREMENT FOR MORTGAGE LOANS.—  
 20 Subsection (b) of section 102 of the Flood Disaster  
 21 Protection Act of 1973 (42 U.S.C. 4012a(b)) is  
 22 amended—

23 (A) by striking the subsection designation  
 24 and all that follows through the end of para-  
 25 graph (5) and inserting the following:

1 “(b) *REQUIREMENT FOR MORTGAGE LOANS.*—

2 “(1) *REGULATED LENDING INSTITUTIONS.*—*Each*  
3 *Federal entity for lending regulation (after consulta-*  
4 *tion and coordination with the Financial Institutions*  
5 *Examination Council established under the Federal*  
6 *Financial Institutions Examination Council Act of*  
7 *1974) shall by regulation direct regulated lending in-*  
8 *stitutions not to make, increase, extend, or renew any*  
9 *loan secured by improved real estate or a mobile home*  
10 *located or to be located in an area that has been iden-*  
11 *tified by the Administrator as an area having special*  
12 *flood hazards and in which flood insurance has been*  
13 *made available under the National Flood Insurance*  
14 *Act of 1968, unless the building or mobile home and*  
15 *any personal property securing such loan is covered*  
16 *for the term of the loan by flood insurance: Provided,*  
17 *That the amount of flood insurance (A) in the case*  
18 *of Federal flood insurance, is at least equal to the out-*  
19 *standing principal balance of the loan or the max-*  
20 *imum limit of Federal flood insurance coverage made*  
21 *available with respect to the particular type of prop-*  
22 *erty, whichever is less; or (B) in the case of private*  
23 *flood insurance, is at least equal to the outstanding*  
24 *principal balance of the loan or the maximum limit*  
25 *of Federal flood insurance coverage made available*

1       *with respect to the particular type of property, which-*  
2       *ever is less.*

3               “(2) *FEDERAL AGENCY LENDERS.—*

4               “(A) *IN GENERAL.—A Federal agency lend-*  
5       *er may not make, increase, extend, or renew any*  
6       *loan secured by improved real estate or a mobile*  
7       *home located or to be located in an area that has*  
8       *been identified by the Administrator as an area*  
9       *having special flood hazards and in which flood*  
10       *insurance has been made available under the Na-*  
11       *tional Flood Insurance Act of 1968, unless the*  
12       *building or mobile home and any personal prop-*  
13       *erty securing such loan is covered for the term of*  
14       *the loan by flood insurance in accordance with*  
15       *paragraph (1). Each Federal agency lender may*  
16       *issue any regulations necessary to carry out this*  
17       *paragraph. Such regulations shall be consistent*  
18       *with and substantially identical to the regula-*  
19       *tions issued under paragraph (1).*

20               “(B) *REQUIREMENT TO ACCEPT FLOOD IN-*  
21       *SURANCE.—Each Federal agency lender shall ac-*  
22       *cept flood insurance as satisfaction of the flood*  
23       *insurance coverage requirement under subpara-*  
24       *graph (A) if the flood insurance coverage meets*

1           *the requirements for coverage under that sub-*  
2           *paragraph.*

3           “(3)   GOVERNMENT-SPONSORED   ENTERPRISES  
4           FOR HOUSING.—*The Federal National Mortgage Asso-*  
5           *ciation and the Federal Home Loan Mortgage Cor-*  
6           *poration shall implement procedures reasonably de-*  
7           *signed to ensure that, for any loan that is—*

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

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

18                  *the building or mobile home and any personal prop-*  
19                  *erty securing the loan is covered for the term of the*  
20                  *loan by flood insurance in the amount provided in*  
21                  *paragraph (1). The Federal National Mortgage Asso-*  
22                  *ciation and the Federal Home Loan Mortgage Cor-*  
23                  *poration shall accept flood insurance as satisfaction*  
24                  *of the flood insurance coverage requirement under*  
25                  *paragraph (1) if the flood insurance coverage pro-*

1        *vided meets the requirements for coverage under that*  
2        *paragraph and any requirements established by the*  
3        *Federal National Mortgage Association or the Federal*  
4        *Home Loan Corporation, respectively, relating to the*  
5        *financial strength of private insurance companies*  
6        *from which the Federal National Mortgage Associa-*  
7        *tion or the Federal Home Loan Mortgage Corporation*  
8        *will accept private flood insurance, provided that*  
9        *such requirements shall not affect or conflict with any*  
10       *State law, regulation, or procedure concerning the*  
11       *regulation of the business of insurance.*

12       “(4) *APPLICABILITY.*—

13                “(A) *EXISTING COVERAGE.*—*Except as pro-*  
14                *vided in subparagraph (B), paragraph (1) shall*  
15                *apply on the date of enactment of the Riegle*  
16                *Community Development and Regulatory Im-*  
17                *provement Act of 1994.*

18                “(B) *NEW COVERAGE.*—*Paragraphs (2) and*  
19                *(3) shall apply only with respect to any loan*  
20                *made, increased, extended, or renewed after the*  
21                *expiration of the 1-year period beginning on the*  
22                *date of enactment of the Riegle Community De-*  
23                *velopment and Regulatory Improvement Act of*  
24                *1994. Paragraph (1) shall apply with respect to*  
25                *any loan made, increased, extended, or renewed*



1           *by any lender supervised by the Farm Credit*  
2           *Administration only after the expiration of the*  
3           *period under this subparagraph.*

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

14           “(5) *RULE OF CONSTRUCTION.—Except as other-*  
15           *wise specified, any reference to flood insurance in this*  
16           *section shall be considered to include Federal flood in-*  
17           *surance and private flood insurance. Nothing in this*  
18           *subsection shall be construed to supersede or limit the*  
19           *authority of a Federal entity for lending regulation,*  
20           *the Federal Housing Finance Agency, a Federal agen-*  
21           *cy lender, the Federal National Mortgage Association,*  
22           *or the Federal Home Loan Mortgage Corporation to*  
23           *establish requirements relating to the financial*  
24           *strength of private insurance companies from which*  
25           *the entity or agency will accept private flood insur-*

1        *ance, provided that such requirements shall not affect*  
 2        *or conflict with any State law, regulation, or proce-*  
 3        *dure concerning the regulation of the business of in-*  
 4        *surance.”; and*

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

7                *“(7) DEFINITIONS.—In this section:*

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

10                                *“(i) Federal flood insurance; and*

11                                *“(ii) private flood insurance.*

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

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

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

22                                *“(I) licensed, admitted, or other-*  
 23        *wise approved to engage in the busi-*  
 24        *ness of insurance in the State in which*

1                   the insured building is located, by the  
2                   insurance regulator of that State; or

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

10                  “(ii) is issued by an insurance com-  
11                  pany that is not otherwise disapproved as a  
12                  surplus lines insurer by the insurance regu-  
13                  lator of the State in which the property to  
14                  be insured is located; and

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

18                  “(D) STATE.—The term ‘State’ means any  
19                  State of the United States, the District of Colum-  
20                  bia, the Commonwealth of Puerto Rico, Guam,  
21                  the Northern Mariana Islands, the Virgin Is-  
22                  lands, and American Samoa.”.

23                  (b) EFFECT OF PRIVATE FLOOD INSURANCE COV-  
24                  ERAGE ON CONTINUOUS COVERAGE REQUIREMENTS.—Sec-

1 *tion 1308 of the National Flood Insurance Act of 1968 (42*  
2 *U.S.C. 4015) is amended by adding at the end the following:*  
3       “(n) *EFFECT OF PRIVATE FLOOD INSURANCE COV-*  
4 *ERAGE ON CONTINUOUS COVERAGE REQUIREMENTS.—For*  
5 *purposes of applying any statutory, regulatory, or adminis-*  
6 *trative continuous coverage requirement, including under*  
7 *section 1307(g)(1), the Administrator shall consider any pe-*  
8 *riod during which a property was continuously covered by*  
9 *private flood insurance (as defined in section 102(b)(7) of*  
10 *the Flood Disaster Protection Act of 1973 (42 U.S.C.*  
11 *4012a(b)(7))) to be a period of continuous coverage.”.*



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H. R. 2901

[Report No. 114-524]

A BILL

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

APRIL 26, 2016

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