Statement of Senator Richard C. Shelby
Committee on Banking, Housing and Urban Affairs
September 22, 2010

- Thank you Chairman Dodd.

- The National Flood Insurance Program remains in serious trouble and is in desperate need of reform. Every aspect of the program must undergo significant revisions. This concern is clearly not partisan, nor is it novel.

- Since early 2006 the GAO has targeted this program as "high risk" because of both the massive debt problems plaguing the program and the imbedded structural deficiencies.

- During the 109th Congress, this Committee held multiple hearings on ways to improve the Flood Insurance Program. Ultimately, with Chairman Dodd's leadership, this Committee voted unanimously on a piece of legislation that addressed many of the program's core deficiencies.

- For example, the bill immediately eliminated subsidies on vacation homes, businesses, and severe repetitive loss properties, and established a process for the elimination of all subsidies in the future.

- The bill addressed insufficiencies in the current maps by setting forth stringent standards that the program must use to complete the map modernization process.

- The bill provided both state and federal bank regulators with more tools to ensure that homes in a floodplain had the necessary coverage.

- Finally, the legislation created a mandatory reserve fund to provide additional funding to help pay future claims without further need to seek contributions from the US taxpayer.

- The legislation passed by the Senate during the last Congress is a good starting point. There are, however, several other reforms that this Committee must consider.

- First, the GAO is about to complete a number of studies on specific aspects of the program, including a thorough examination of the relationship between the program and the Write Your Own (WYO) insurance companies.

- We need to have a full understanding of the costs and benefits provided by the Write Your Own program. If there is fat in this program, we need to trim it.

- In addition, we need to know more about who is using the flood program to ensure that its resources are targeted. The Congressional Budget Office (CBO) has determined that 12 percent of the homes receiving subsidies under the program are worth more than $1 million. We need to ensure that the program requires wealthy participants to pay their full freight.

- There also has been much attention focused on the mapping for this program.

- The map modernization process has been ongoing within the program for several years. These maps are important for two reasons.

- First, they serve as a warning for developers and homeowners about the risk of developing or living in a floodplain.

- Second, they ensure that individuals paying into the flood insurance program are paying fair prices for coverage.

- Several groups have stated that the program has not given communities the ability to have input in the map making process.

- While I believe that it is important that communities have a voice in this process, I am concerned that many who wish to contribute only are attempting to slow down the process of modernizing the flood maps.

- Government transparency is crucial, but this process needs to take place rapidly. Many of these maps are several decades old and do not accurately outline the costs and risks of living within the floodplain.

- Finally, the term "actuarially sound" must be defined in a manner which ensures that the premiums cover the costs.

- Once this definition is codified in statute, there will be no question that we intend this program must be financially self-sustaining.

- Yesterday, I agreed to allow the program to be extended once again. While there needs to be a degree of certainty for policy holders, we are not serving the American taxpayer well by continually extending a fundamentally flawed program.

- The National Flood Insurance Program is broken. The sooner we get around to fixing it, the better it will be for everyone.

- Thank you Mr. Chairman.