

Flood Insurance Law Will Boost Housing Activity

The Homeowner Flood Insurance Affordability Act of 2014 will provide a significant boost for home building and remodeling and add financial stability to the Nation Flood Insurance Program. According to the National Association of Home Builder (NAHB).

The new law will result in a total of more than \$1 billion of housing market activity including:

- \$755 million in new-home construction because the new law makes it easier for prospective new-home buyers to sell their existing home and trade up.
- \$361 million in additional remodeling activity because the legislation eliminates insurance costs that some homeowners would have been required to pay on certain remodeling jobs.

The recently enacted legislation provides a more affordable rate structure for policyholders and repeals the requirement that flood insurance premiums increase immediately to full actuarial rates when homes are sold. It also restores grandfathering for properties that were paying premiums applicable to their initial flood risk rating, allowing owners to pay premiums based on the original risk zone rather than on updated flood risk zones.

In addition, the legislation requires the Federal Emergency Management Agency to take local flood-control structures into account during the remapping process and provides reimbursement for successful consumer map appeals. It also restores the “substantial improvement threshold” that triggers a higher flood insurance rate to the historic 50 percent of a structure’s fair market value, which is important for many remodelers.