

# Union Calendar No. 155

115TH CONGRESS  
1ST SESSION

# H. R. 1422

**[Report No. 115–220]**

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

MARCH 8, 2017

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

JULY 14, 2017

Additional sponsors: Mr. HOLLINGSWORTH, Mr. MOONEY of West Virginia, Mr. POSEY, Mr. LOUDERMILK, Mr. PALAZZO, Mr. KIND, Mr. THOMAS J. ROONEY of Florida, Mr. HASTINGS, Mr. ROKITA, Mr. DIAZ-BALART, Mr. BILIRAKIS, Mr. BUDD, Mr. FITZPATRICK, Mr. COFFMAN, Mrs. DEMINGS, Mr. LUETKEMEYER, Mr. SMITH of Missouri, Mr. HIMES, Mr. WILLIAMS, and Mr. RENACCI

JULY 14, 2017

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 March 8, 2017]

# **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 **SECTION 1. SHORT TITLE.**

2       *This Act may be cited as the “Private Flood Insurance*  
 3 *Market Development Act of 2017”.*

4 **SEC. 2. PRIVATE FLOOD INSURANCE.**

5       (a) *MANDATORY PURCHASE REQUIREMENT.*—

6           (1) *AMOUNT AND TERM OF COVERAGE.*—*Section*  
 7 *102 of the Flood Disaster Protection Act of 1973 (42*  
 8 *U.S.C. 4012a) is amended by striking “Sec. 102. (a)”*  
 9 *and all that follows through the end of subsection (a)*  
 10 *and inserting the following:*

11       “*SEC. 102. (a) AMOUNT AND TERM OF COVERAGE.*—  
 12 *After the expiration of sixty days following the date of the*  
 13 *enactment of this Act, no Federal officer or agency shall*  
 14 *approve any financial assistance for acquisition or con-*  
 15 *struction purposes for use in any area that has been identi-*  
 16 *fied by the Administrator as an area having special flood*  
 17 *hazards and in which the sale of flood insurance has been*  
 18 *made available under the National Flood Insurance Act of*  
 19 *1968, unless the building or mobile home and any personal*  
 20 *property to which such financial assistance relates is cov-*  
 21 *ered by flood insurance: Provided, That the amount of flood*  
 22 *insurance (1) in the case of Federal flood insurance, is at*  
 23 *least equal to the development or project cost of the building,*  
 24 *mobile home, or personal property (less estimated land*  
 25 *cost), the outstanding principal balance of the loan, or the*  
 26 *maximum limit of Federal flood insurance coverage made*

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

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

20 (A) *by striking paragraph (7);*

21 (B) *by redesignating paragraph (6) as*  
 22 *paragraph (7);*

23 (C) *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 AND MORTGAGE*  
 4       *INSURANCE AND GUARANTEE AGENCIES.—*

5               “(A) *FEDERAL AGENCY LENDERS.—A Fed-*  
 6       *eral agency lender may not make, increase, ex-*  
 7       *tend, or renew any loan secured by improved*  
 8       *real estate or a mobile home located or to be lo-*  
 9       *cated in an area that has been identified by the*  
 10       *Administrator as an area having special flood*  
 11       *hazards and in which flood insurance has been*  
 12       *made available under the National Flood Insur-*  
 13       *ance Act of 1968, unless the building or mobile*  
 14       *home and any personal property securing such*  
 15       *loan is covered for the term of the loan by flood*  
 16       *insurance in accordance with paragraph (1).*  
 17       *Each Federal agency lender may issue any regu-*  
 18       *lations necessary to carry out this paragraph.*  
 19       *Such regulations shall be consistent with and*  
 20       *substantially identical to the regulations issued*  
 21       *under paragraph (1).*

22               “(B) *OTHER FEDERAL MORTGAGE ENTI-*  
 23       *TIES.—*

24               “(i) *COVERAGE REQUIREMENTS.—*  
 25       *Each covered Federal mortgage entity shall*

1           *implement procedures reasonably designed*  
2           *to ensure that, for any loan that—*

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

13                    *“(II) is made, insured, held, or*  
14                    *guaranteed by such entity, or backs or*  
15                    *on which is based any trust certificate*  
16                    *or other security for which such entity*  
17                    *guarantees the timely payment of prin-*  
18                    *cipal and interest,*

19           *the building or mobile home and any per-*  
20           *sonal property securing the loan is covered*  
21           *for the term of the loan by flood insurance*  
22           *in the amount provided in paragraph (1).*

23                    *“(ii) DEFINITION.—For purposes of*  
24                    *this subparagraph, the term ‘covered Fed-*  
25                    *eral mortgage entity’ means—*

1                   “(I) the Secretary of Housing and  
2                   Urban Development, with respect to  
3                   mortgages insured under the National  
4                   Housing Act;

5                   “(II) the Secretary of Agriculture,  
6                   with respect to loans made, insured, or  
7                   guaranteed under title V of the Hous-  
8                   ing Act of 1949; and

9                   “(III) the Government National  
10                  Mortgage Association.

11                 “(C) REQUIREMENT TO ACCEPT FLOOD IN-  
12                 SURANCE.—Each Federal agency lender and  
13                 each covered Federal mortgage entity shall accept  
14                 flood insurance as satisfaction of the flood insur-  
15                 ance coverage requirement under subparagraph  
16                 (A) or (B), respectively, if the flood insurance  
17                 coverage meets the requirements for coverage  
18                 under such subparagraph and the requirements  
19                 relating to financial strength issued pursuant to  
20                 paragraph (4).

21                 “(3) GOVERNMENT-SPONSORED ENTERPRISES  
22                 FOR HOUSING.—The Federal National Mortgage Asso-  
23                 ciation and the Federal Home Loan Mortgage Cor-  
24                 poration shall implement procedures reasonably de-  
25                 signed to ensure that, for any loan that is—



1           “(A) secured by improved real estate or a  
2           mobile home located in an area that has been  
3           identified, at the time of the origination of the  
4           loan or at any time during the term of the loan,  
5           by the Administrator as an area having special  
6           flood hazards and in which flood insurance is  
7           available under the National Flood Insurance  
8           Act of 1968, and

9           “(B) purchased or guaranteed by such enti-  
10          ty,

11       the building or mobile home and any personal prop-  
12       erty securing the loan is covered for the term of the  
13       loan by flood insurance in the amount provided in  
14       paragraph (1). The Federal National Mortgage Asso-  
15       ciation and the Federal Home Loan Mortgage Cor-  
16       poration shall accept flood insurance as satisfaction  
17       of the flood insurance coverage requirement under  
18       paragraph (1) if the flood insurance coverage pro-  
19       vided meets the requirements for coverage under that  
20       paragraph and the requirements relating to financial  
21       strength issued pursuant to paragraph (4).

22       “(4) REQUIREMENTS REGARDING FINANCIAL  
23       STRENGTH.—The Director of the Federal Housing Fi-  
24       nance Agency, in consultation with the Federal Na-  
25       tional Mortgage Association, the Federal Home Loan

1     *Mortgage Corporation, the Secretary of Housing and*  
2     *Urban Development, the Government National Mort-*  
3     *gage Association, and the Secretary of Agriculture*  
4     *shall develop and implement requirements relating to*  
5     *the financial strength of private insurance companies*  
6     *from which such entities and agencies will accept pri-*  
7     *vate flood insurance, provided that such requirements*  
8     *shall not affect or conflict with any State law, regula-*  
9     *tion, or procedure concerning the regulation of the*  
10    *business of insurance.*

11           “(5) *APPLICABILITY.*—

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

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

1        *Administration only after the expiration of the*  
2        *period under this subparagraph.*

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

13                “(6) *RULE OF CONSTRUCTION.—Except as other-*  
14       *wise specified, any reference to flood insurance in this*  
15       *section shall be considered to include Federal flood in-*  
16       *surance and private flood insurance. Nothing in this*  
17       *subsection shall be construed to supersede or limit the*  
18       *authority of a Federal entity for lending regulation,*  
19       *the Federal Housing Finance Agency, a Federal agen-*  
20       *cy lender, a covered Federal mortgage entity (as such*  
21       *term is defined in paragraph (2)(B)(ii)), the Federal*  
22       *National Mortgage Association, or the Federal Home*  
23       *Loan Mortgage Corporation to establish requirements*  
24       *relating to the financial strength of private insurance*  
25       *companies from which the entity or agency will ac-*

1        *cept private flood insurance, provided that such re-*  
 2        *quirements shall not affect or conflict with any State*  
 3        *law, regulation, or procedure concerning the regula-*  
 4        *tion of the business of insurance.”; and*

5                *(D) by adding at the end the following new*  
 6        *paragraphs:*

7                *“(8) 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)(8) of*  
10 *the Flood Disaster Protection Act of 1973 (42 U.S.C.*  
11 *4012a(b)(8))) to be a period of continuous coverage.”.*



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