



LEGISLATIVE REPORT

April 2010

NATIONAL FLOOD INSURANCE EXPIRES!!!

Congress has recessed without extending authority for the National Flood Insurance Program (NFIP), which expired on March 28, 2010. By law, flood insurance is required for the purchase of real estate in a 100-year floodplain. However, insurers may not issue new or renewal policies or increase the coverage of existing policies backed by the NFIP while it has expired. Since March 28, NAR has issued an all-member Call For Action for Realtors to contact their members of Congress and urge the immediate extension of the NFIP. NAR has also reached out to Federal agencies, GSEs and the bank regulators to clarify what lenders and insurers may and may not do to help during the program's expiration.

FEMA, which administers the NFIP, issued guidance that:

- Existing flood insurance policies that were in effect on March 28 (when NFIP expired) will remain in effect and would not be affected.
- While new flood policies may not be issued after that date, new policies for which payment was received or in case of loan closings, the application was dated on or before March 28 -- will be issued.
- Also renewal policies may not be issued until the NFIP is extended; however, there is a 30-day grace period during which the policy remains in effect following its expiration date.

NOTE: Buyers may also "assume" the seller's existing policy without having to re-issue it (NFIP Manual, Page GR 15).

"D. Assignment: A property owner's flood insurance building policy may be assigned in writing to a purchaser of the insured property upon transfer of title without the written consent of the NFIP. Policies on buildings in the course of construction and policies insuring contents only may not be assigned."

Source: <http://www.fema.gov/pdf/nfip/manual201005/03gr.pdf>

The purchase requirement for flood insurance may be fulfilled with non-NFIP policies; for instance, Lloyd's of London, Chubb and AIG have offered such insurance, but it can be very expensive and is limited to a certain number of states, with other conditions:

<http://www.realestatejournal.com/buysell/taxesandinsurance/20050902-silverman.html>

http://www.usatoday.com/money/industries/insurance/2006-06-09-flood-insurance-usat_x.htm?POE=click-refer

NAR will continue to make every effort with Congress to extend the NFIP and in the meantime, encourage Federal agencies, GSEs and bank “regulatorys” to take every step available to them under current law, to continue servicing residential and commercial mortgages in the interim. NAR staff will continue to provide regular updates.

Six of the nation's largest lending authorities have issued guidance to administer the federal flood insurance regulations during the current National Flood Insurance Program (NFIP) lapse in authority (see below). Although each lending authority notes considerations, the consensus is, in most cases, loan closings may still occur during the NFIP lapse with verification of the submission of a NFIP flood policy application and premium payment submission to the insurance provider. Lenders should follow all normal flood risk evaluations prior to closing and establish follow up practices to monitor full compliance upon the re-authorization of the NFIP program. Lenders should become familiar with and follow the specific guidance offered by their lending authority.

When Congress returns on April 12, NAR will encourage them to act swiftly to reauthorize and extend the NFIP, and insist that the reauthorization should be made retroactive to March 28, 2010, so that any properties that are flooded during this lapse will be covered by the program.

For additional information, please contact:

Russell Riggs: 202-383-1259

Austin Perez: 202-383-1046

NAR Frequently Asked Questions

1. Federal Emergency Management Agency: at <http://www.fema.gov/business/nfip/>
2. Fannie Mae: <https://www.efanniemae.com/sf/guides/ssg/annltrs/pdf/2010/111005.pdf>
3. Federal Housing Administration: http://portal.hud.gov/portal/page/portal/HUD/federal_housing_administration
4. Freddie Mac: http://www.freddiemac.com/singlefamily/news/2010/0326_flood.html
5. Office of Thrift Supervision: <http://files.ots.treas.gov/25338.pdf>
6. Federal Reserve: <http://www.federalreserve.gov/boarddocs/caletters/2010/1003/caltr1003.htm>

TERMINAL GROINS

On Thursday, March 25th the Coastal Resources Commission (CRC) recommended that specific considerations be met if the General Assembly were to allow the installation of terminal groins. This recommendation comes after the CRC commissioned a study by an engineering firm on the feasibility and advisability of the use of terminal groins as erosion control devices. Current North Carolina law prohibits permanent erosion control structures on North Carolina’s ocean and inlet shorelines and any change in that law would require action by the General Assembly. A bill to allow terminal groins was adopted by the Senate last year but stalled in the House. This legislation will be eligible to be revisited during the legislative session that starts in May. To view the press release from the CRC, please click on the following link: http://www.ncrealtors.org/en/CRC_Tgrecs.doc

OFFSHORE DRILLING

President Barack Obama announced Wednesday that he will open a major swath of the East Coast - including waters off North Carolina's coast - to oil and natural gas exploration. For years, North Carolina's leaders stood together in the fight against offshore drilling. But they wavered as the economy worsened and gas prices rose. On Wednesday, state politicians made clear that they viewed energy exploration as a near certainty. "The federal government is moving forward with this plan with or without us," Gov. Beverly Perdue said in a statement. She said she will remain "aggressively engaged" in protecting the state's economy and environment. Senate leader Marc Basnight, D-Dare, said he would insist that oil or gas production protect state resources and that the state should share in the revenues. "There could be a situation where I would say yes," said Basnight, who has appointed a legislative commission to study offshore drilling. He would want guarantees "that if damage was done it would be corrected and those who lost would be reimbursed."

Obama wants to open the Atlantic coastline from Delaware to northern Florida for exploration. Obama said he won't allow plans to hurt coastlines. "We'll protect areas that are vital to tourism and the environment," he said Wednesday. U.S. Sen. Richard Burr, a Winston-Salem Republican, said he hopes the administration will move quickly. "If resources off the coast of North Carolina can be produced responsibly, they should be part of the solution," Burr said. Environmental groups were incensed with the announcement. "It makes absolutely no sense to threaten the coast of North Carolina with spills and other disasters when we're about to unleash the real solutions -- cleaner cars and cleaner fuels," said Margaret Hartzell, policy advocate for Environment North Carolina. *(Barbara Barrett and Bruce Henderson, THE NEWS & OBSERVER, 4/01/10).*

2010 MAY 4 PRIMARY

The Board of Directors for the Brunswick County Association of REALTORS® voted to fund the following candidates for the May 4 primary election.

NC Senate District 08

David Redwine \$1,000

Bill Rabon \$1,000

NC House District 17

Frank Iler \$1,000

NC House District 20

Dewey L. Hill \$1,000

BCAR does not endorse candidates; however, the membership should know where their RPAC dollars are spent.