



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 11, 2016

H.R. 2901 **Flood Insurance Market Parity and Modernization Act**

*As ordered reported by the House Committee on Financial Services
on March 2, 2016*

H.R. 2901 would clarify that flood insurance provided by private firms satisfies the requirement that homeowners maintain flood coverage on mortgaged properties that are backed by a federal guarantee and located in a flood zone. The bill also would direct the Federal Emergency Management Agency (FEMA) to consider policy holders who drop a National Flood Insurance Program (NFIP) policy and then later return to NFIP as having continuous coverage if they can demonstrate that a flood insurance policy from a private firm was maintained throughout the interim period. Enacting the bill would affect direct spending; therefore, pay-as-you-go procedures apply. However, CBO estimates those effects would be insignificant. Enacting the legislation would not affect revenues.

Currently, private flood insurance options are not widely available. Based on information from FEMA and participants in private flood insurance markets, CBO expects that enacting the bill would have a very small effect on the decisions that consumers make regarding whether to carry a NFIP policy or to pursue private flood insurance. In addition, offsetting receipts from NFIP premiums would be available to be spent for flood claims, thus CBO estimates that any change in those collections would be offset by a similar change in direct spending.

CBO estimates that enacting the bill would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 2901 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Aurora Swanson. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.