



Commercial Flood Insurance Relief: Yes, but Not Now?

November 17, 2017 - As reported in Politico, on Tuesday the House of Representatives passed HR 2874, a series of bills that would extend the National Flood Insurance Program (NFIP), which is set to expire on December 8th, for five years. The good news? Section 202 of the bill would get rid of the current NFIP mandate that requires flood insurance on commercial properties. The not-so-good news? The carve-out for commercial properties is not scheduled to kick in until the beginning of 2019. Why is this important? As we discussed in an earlier post, the commercial flood insurance mandate requires banks to ensure that collateral located in a flood zone be insured even if the real estate is not a meaningful or material part of the collateral package. Often the burdens of compliance (on borrowers as well as banks) far outweigh the value of the insurance. So, what happens now? The bill goes to the Senate where an earlier bill extending the NFIP did not contain a carve-out for commercial properties. Whether the commercial carve out survives the final bill is very difficult to predict but it appears that that result may have to wait. Insiders are predicting that the Senate will not even take up a long term NFIP extension until the new year, leading Congress to pass a stop gap measure extending the program for a few months. We will continue to follow this important issue until it finally gets resolved.