



## **Flood Insurance Continues to Flow for Now**

December 11, 2017 - Last Friday, president Trump signed a temporary government funding bill to keep the government funded until December 22nd. The bill also keeps the National Flood Insurance Program operational through that date. The NFIP was set to expire last Friday after being extended once at the end of September. As we recently noted, the House passed a Flood extension bill, HR 2874, that would extend the NFIP for five years and, importantly for the loan market, carved out the current NFIP mandate that requires flood insurance for commercial property. The Senate has not taken any action on the extension of the NFIP and the extension included in the funding bill avoids a shutdown of the flood program for now as senators struggle to reach an agreement on reauthorization of the NFIP. According to Politico, market observers expect that the fate of the NFIP will remain coupled with government funding extensions as negotiations continue.

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. We will continue to follow this important issue until it finally gets resolved.