

GAO@100 Highlights

Highlights of [GAO-21-578](#), a report to congressional requesters

Why GAO Did This Study

Flood insurance plays a key role in helping homeowners reduce the financial effects of floods, reduces the need for federal disaster assistance, and lowers costs for American taxpayers. NFIP makes federally backed flood insurance available to property owners in qualifying communities. The mandatory purchase requirement requires property owners in NFIP communities to purchase flood insurance if, among other things, they have mortgages from federally regulated lenders.

GAO was asked to review the implementation of the mandatory purchase requirement. This report (1) describes federal entities' oversight of the requirement, (2) examines the extent to which FEMA uses information about compliance with the requirement, and (3) examines the use of FEMA floodplain maps to determine who must purchase flood insurance. GAO reviewed documentation from federal entities, analyzed data on lender violations of the requirement, and interviewed officials and other stakeholders.

What GAO Recommends

Congress should consider requiring FEMA to evaluate how its new flood risk information could be used to determine which properties should be subject to the requirement and report to Congress on any recommendations. GAO also is making two recommendations to FEMA, including that FEMA use information related to the requirement to increase consumer participation in the flood insurance market. FEMA agreed with the recommendations.

View [GAO-21-578](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

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NATIONAL FLOOD INSURANCE PROGRAM

Congress Should Consider Updating the Mandatory Purchase Requirement

What GAO Found

The mandatory purchase requirement mandates flood insurance for certain high-risk properties and was established to increase the number of households with flood insurance. Lenders must verify that certain properties have flood insurance. At least 10 federal entities oversee lenders' compliance, including the federal banking regulators, among others (see figure). The most frequent violation the regulators identified was related to a lack of or insufficient flood insurance coverage for properties subject to the requirement. If regulators identify violations, lenders are required to take corrective actions, and if a pattern or practice of certain flood insurance violations is found, monetary penalties may be assessed against them.

Oversight of the Mandatory Purchase Requirement



Source: GAO analysis of National Flood Insurance Program legislation. | [GAO-21-578](#)

The Federal Emergency Management Agency (FEMA), which administers the National Flood Insurance Program (NFIP), engages in a variety of efforts to help increase consumer participation in the flood insurance market (one of the agency's goals). However, FEMA does not effectively use information related to compliance with the requirement to identify ways to meet this goal. Information currently maintained by FEMA and other federal entities could help inform FEMA on noncompliance trends and patterns and help FEMA to develop strategies to address them. By using internal and external information to better understand compliance with the requirement, and facilitating the sharing of this information among the federal entities with responsibilities related to the requirement, FEMA may help reduce instances of noncompliance, increase consumer participation, and limit the federal government's fiscal exposure to future flood losses.

FEMA's floodplain maps—which, by law, delineate those properties subject to the requirement—have limitations. For example, they may not reflect current flood hazards or the potential for flooding from some types of events, such as heavy rainfall. FEMA has efforts underway that can assess flood risk more comprehensively. However, FEMA has not evaluated how the new information could be incorporated into the requirement because the agency believes it has a limited role in implementing the requirement. In addition, changes to the maps for the purpose of implementing the requirement could impact other aspects of NFIP. An evaluation by FEMA of how its new flood risk information could be used to designate which properties are subject to the requirement could help Congress revise the requirement to better increase consumer participation and reduce future federal disaster assistance expenditures.