



State of South Carolina Office of the Governor

NIKKI R. HALEY
GOVERNOR

1205 PENDLETON STREET
COLUMBIA 29201

October 21, 2013

VIA ELECTRONIC DELIVERY

Dear Members of the South Carolina Congressional Delegation,

Congress' 2012 reauthorization of the National Flood Insurance Program (NFIP) administered by the Federal Emergency Management Agency (FEMA) contained premium reforms designed to move the NFIP from a taxpayer-subsidized model to one where premiums are based on actual risk. As these reforms would significantly raise rates, Congress opted to phase in premium increases to allow markets and property owners the time needed to adjust to the new normal of living in flood zones.

As of October 17, 2013, there were 205,690 active flood insurance policies in South Carolina. Some policy holders have already received rate adjustment notices, while the balance of property owners will receive them over the course of the next year. As FEMA implements the new rate structure, we are uncovering structural problems with the reforms, most notably the chilling effect point-of-sale adjustments are having on real estate transactions statewide. When covered real estate is sold, NFIP rates are automatically adjusted to a new maximum level, bypassing the rate phase-in other property owners enjoy. We have heard accounts of real estate transactions falling through and property owners losing their homes because the new rates are unaffordable – this is counter to the spirit and purpose of the NFIP. If the goal of reform is to gradually move the market to a risk-based model, then I ask that you spur congressional action to apply the rate phase-in to all property owners.

My concerns are further compounded by the uncertainty surrounding implementation of the new rates. FEMA has not completed the affordability study mandated by the reauthorization and updated mapping of flood plains nationwide is incomplete as well. The resulting information deficit further destabilizes our homebuilding and real estate markets, and the citizens of South Carolina are looking to their federal delegation to provide needed certainty to homeowners, business owners, and real estate markets. Thank you for your service to our State; please contact me if I may be of assistance on this issue. God bless.

My very best,

A large, stylized handwritten signature in black ink, which appears to read "Nikki R. Haley".

Nikki R. Haley

NRH/jdb