MORTGAGE BANKERS ASSOCIATION

June 8, 2026

VIA Email: FEMAreviewcouncil@hq.dhs.gov

**Subject:** **Comment Letter on FEMA Review Council Final Report Docket No. DHS-2025-0712**

Ladies and Gentlemen,

On behalf of the Mortgage Bankers Association[1], we appreciate the opportunity to comment on the FEMA Review Council's Final Report dated May 7, 2026. Our members serve millions of property owners across all 50 states and territories and play a critical role in supporting borrowers before, during, and after disaster events.

We support efforts to streamline disaster response, enhance resilience, and improve coordination. However, we have concerns that several recommended changes—particularly regarding disaster declarations, flood insurance (NFIP), and decentralization of programs—could unintentionally disrupt established frameworks that support homeowners and renters, small business owners leveraging their primary residence as loan collateral, housing providers, commercial property owners, lenders, and servicers.

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance
industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's
residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

## I. Disaster Declarations: Risk of Reduced Borrower Access to Federal Assistance

The report recommends tightening the criteria for federal disaster assistance for homeowners by raising thresholds, adding minimum state expenditure requirements, and limiting federal declarations to only the most severe events.

While this approach is intended to rebalance federal and state responsibilities, it would have direct downstream impacts on borrowers and renters, including reduced access to federal housing disaster assistance programs, including Individual Assistance (IA), which often depends on a Presidential disaster declaration and fewer opportunities for homeowners to receive payment assistance support, particularly in mid-scale disasters that may not meet revised thresholds.[2] The report does not evaluate whether reduced federal disaster declarations may shift costs to other parts of the system, including borrowers, community banks and credit unions, mortgage lenders and servicers, and federal housing programs such as FHA, VA, USDA, and the GSEs. These potential cost shifts could materially offset any projected federal savings.

A reduction in declarations would create gaps in borrower protections and introduce significant variability across jurisdictions, complicating loss mitigation, borrower outreach, and investor reporting requirements.

## II. Over-Reliance on State Capacity Assumptions

The report relies heavily on examples such as Florida to demonstrate the viability of a state-led disaster response model. However, Florida is not representative—it has unique scale, dedicated funding mechanisms, and institutional experience managing large-scale disasters. Many states—particularly smaller or rural states—do not have comparable infrastructure, staffing, or fiscal flexibility.

This impacts homeowners and renters. Variability in state and local capacity may have uneven effects across jurisdictions. In addition, a significant portion of the affordable multifamily sector is comprised of LIHTC sponsors, nonprofit organizations, and small

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[2] Presidential disaster declarations (including designations for Individual Assistance) serve as the primary trigger for housing-related disaster relief across federal mortgage programs, including FHA, VA, USDA, and the GSEs. In designated areas, affected borrowers may become eligible for foreclosure moratoria, forbearance and other loss mitigation options, as well as disaster-specific financing tools such as FHA Section 203(h) loans, which provide mortgage insurance to replace or rebuild homes destroyed in Presidentially declared disaster areas. [hud.gov] These declarations also enable access to broader federal recovery resources, including SBA disaster loans and other housing assistance tied to federally declared events.

owners that operate with limited financial and administrative capacity and may be less able to adapt to increased complexity or variability across jurisdictions.

The report also does not fully account for federal capabilities that states cannot replicate, such as FEMA's role in wildfire recovery, including addressing environmental hazards such as soil contamination and toxicity.

The assumption that all states can absorb expanded responsibilities introduces significant risk for homeowners, renters, commercial property owners and housing providers in under-resourced or inexperienced jurisdictions, particularly in emerging disaster areas.

## III. NFIP Reform and Implications for Mandatory Purchase Requirements

The report recommends significant changes to the National Flood Insurance Program, including:

- Greater reliance on private insurance markets and depopulation of NFIP policies
- Expanded use of risk-based pricing (Risk Rating 2.0)
- Exploration of a flood insurance marketplace
- A shift toward more localized decision-making in risk and land-use policy
- Incentivizing the launch of a "take-out" program to transfer policies to the private market

These proposals raise serious concerns regarding the mandatory purchase requirement, which is currently grounded in properties located in a Special Flood Hazard Area (SFHA), and community participation in the NFIP. Key risks include:

<u>Uncertainty in SFHA designations</u>: The report promotes expanded reliance on updated data and modeling for risk identification. While improving data is beneficial, the report does not provide evidence that these models are sufficiently consistent or validated to replace current mapping in a regulatory context. In addition, model-driven risk determinations could introduce variability and reduce transparency for borrowers and lenders. Additionally, these models are typically required by prudential regulators to have periodic testing performed to measure effectiveness and accuracy.

<u>Potential decentralization of mapping and land-use decisions</u>: The report emphasizes state and local primacy in land-use and risk decisions and improved mapping approaches.
If mapping authority or effective control shifts away from a centralized federal standard, 20,000+ communities across the country could adopt inconsistent or non-comparable standards. The foundational basis for the mandatory purchase requirement would become fragmented and inconsistent. Put simply, lenders and servicers need one version of the truth and a universal taxonomy on which to base their regulatory obligations.

With localized control, developers and local stakeholders including state government officials may influence mapping outcomes, potentially underestimating risk and weakening safeguards for consumers, small businesses, lenders and servicers.

## IV. Additional NFIP Modernization Recommendations

In addition to the risks outlined above, MBA encourages broader reforms to strengthen the long-term effectiveness and stability of the NFIP.

Remove the Commercial Mandatory Purchase Requirements: The FEMA Review Council's final report appropriately recognizes the need to expand private market participation and reduce unnecessary federal involvement in flood insurance where private solutions are available. Consistent with these objectives, the commercial mandatory purchase requirement under the National Flood Insurance Program (NFIP) should be removed.

The existing requirement imposes significant burden for commercial borrowers and lenders while providing limited practical value in the protection of commercial and multifamily properties for flood risk. NFIP coverage for non-residential properties is capped at $500,000—an amount that is inadequate for most commercial assets and multifamily developments. As a result, borrowers and property owners routinely rely on supplemental private flood insurance to secure sufficient protection above the NFIP cap or they don't purchase NFIP at all. This layered structure increases transaction costs and adds complexity without meaningfully improving risk management.

Commercial property owners, lenders, and insurers are sophisticated market participants capable of evaluating and managing flood risk through underwriting, pricing, and tailored insurance products. Removing the mandatory purchase requirement for commercial properties will focus borrowers on flexible, market-based solutions that more accurately reflect property-specific risk and coverage needs while encouraging greater private-sector participation in flood insurance.

Eliminating the commercial mandate would also have minimal impact on NFIP participation or financial stability. Non-residential policies represent only a small portion of the program—approximately five percent of NFIP policies—demonstrating that commercial coverage is not central to the program's core mission. Rather than requiring commercial borrowers to participate in a federal program that often does not meet their coverage needs, FEMA should support a transition that moves all commercial businesses toward private market solutions for commercial flood risk where capacity and expertise already exist, while refocusing attention on the residential market.

Long-Term Reauthorization of the NFIP

A 10-year reauthorization is critical to providing market stability and enabling meaningful reform. Since FY2017, 33 short-term extensions have created uncertainty, disrupted lending, and complicated transactions in SFHAs.

A long-term reauthorization would:

- Provide predictability for homeowners, lenders, and insurers
- Enable policy reforms, including mapping modernization and rate transparency
- Reduce administrative burden from repeated extensions
- Strengthen lender risk management

Even a five-year reauthorization would be a meaningful improvement. Where reforms are enacted, timelines should allow alignment with implementation.

Statutory Recognition of Private Flood Insurance

FEMA's continuous coverage requirement can unintentionally penalize homeowners who experience brief coverage lapses or switch to private insurance—even when maintaining protection.

As a result, homeowners may lose subsidized rates, consumers are discouraged from exploring alternatives, and private market participation is limited.

To address this, Congress and FEMA should:

- Allow private flood insurance to satisfy continuous coverage requirements
- Enable subsidy portability across coverage types
- Improve consumer education and transparency

These reforms would preserve the NFIP's risk pool while promoting competition and affordability.

Modernization of NFIP Coverage Limits

Current coverage limits no longer reflect market realities. The residential cap often falls short of rebuilding costs, while commercial limits are insufficient for modern properties.

Inadequate coverage leads to:

- Delayed recovery and increased financial strain
- Greater reliance on federal assistance
- Slower local economic recovery

Congress should raise limits to reflect current costs, and FEMA should regularly update them based on inflation and regional variation.

## V. Increased Complexity and Cost from Decentralization

The report's recommendations shift toward a highly decentralized disaster response and funding model, including program administration, mitigation planning, and funding execution at the state level.

However, this approach is unlikely to produce cost savings. Instead of a centralized federal system, which is heavily relied upon by lenders and their regulators, particularly at national bank charters, the result would be 50+ state-level infrastructures, each requiring unique administrative systems, staffing and training, and compliance frameworks. This creates duplicative layers of administration, increasing overall system costs. Even if the expected cost savings from these changes are transferred to states, it would be a one-time transfer, and would not allow for sustainable efficiencies. Long-term costs would shift to states and ultimately increase taxpayer burden.

In practice, decentralized systems are often less efficient, not more, particularly in a national market like housing finance that depends on uniformity and predictability.

## VI. Broader Impacts on Homeowners and Renters, Housing Providers, Commercial Property Owners, and Mortgage Lenders and Servicers

Collectively, the proposed reforms could:

- Reduce homeowner access to timely disaster assistance
- Increase regional inequities in disaster response and recovery
- Complicate mortgage servicing operations and borrower support
- Disrupt flood insurance requirements, lender safety & soundness principles and compliance frameworks
- Undermine secondary market liquidity and confidence
- Impact the stability of affordable multifamily units

## VII. Conclusion

We support efforts to improve disaster response efficiency and resilience. However, the proposed reforms risk undermining key elements of the system that provide consistency, predictability, and national coordination.

We urge a balanced approach that preserves a strong federal role, maintains uniform flood insurance standards, supports long-term NFIP stability, and encourages responsible private market participation.

Taken together, long-term reauthorization, recognition of private flood insurance, modernization of coverage limits, and targeted adjustments to mandatory purchase requirements represent a cohesive framework to strengthen the NFIP while expanding access, affordability, and market resilience.

We appreciate the opportunity to provide this feedback and welcome further engagement.

Sincerely,

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