



National Flood Insurance Program Borrowing Authority

Updated July 24, 2020

This Insight evaluates the National Flood Insurance Program (NFIP) borrowing authority to receive loans from the Treasury and the current financial situation of the NFIP.

NFIP Funding

[Funding for the NFIP](#) is primarily maintained in an authorized account called the [National Flood Insurance Fund](#) (NFIF). The NFIP is funded from receipts from the premiums of flood insurance policies, including fees and surcharges; [direct annual appropriations for specific costs of the NFIP](#) (only for flood mapping); and borrowing from the Treasury when the NFIF's balance has been insufficient to pay the NFIP's obligations (e.g., insurance claims). Since the end of FY2017, 15 short-term NFIP reauthorizations have been enacted. For further details of these reauthorizations, see CRS Insight IN10835, *What Happens If the National Flood Insurance Program (NFIP) Lapses?* The current reauthorization is set to expire on Sept. 30, 2020. These extensions did not increase the NFIP's borrowing limit or provide additional funds to the NFIP.

NFIP Borrowing Authority

The NFIP was not designed to retain funding to cover claims for truly extreme events; instead, the National Flood Insurance Act of 1968 allows the program to [borrow money from the Treasury](#) for such events. For most of the NFIP's history, the program has been able to cover its costs, borrowing relatively small amounts from the Treasury to pay claims and to repay the loans with interest. **Table 1** and **Table 2** show NFIP borrowing, repayments, and debt from 1981 to 2020. Comparable figures are not available before 1980. When the NFIP was established, the [borrowing limit was \\$250 million](#). In 1973, the borrowing limit was [increased to \\$500 million, or \\$1 billion with Presidential approval](#). The borrowing limit was [increased to \\$1.5 billion](#) in 1996; however, borrowing at that level was not required before 2005. The largest debt was \$917 million in 1997, which was reduced to zero by the end of FY2003. However, Congress increased the level of borrowing to pay claims in the aftermath of the [2005 hurricane season](#) (particularly Hurricanes Katrina, Rita, and Wilma). Congress [increased the borrowing limit to \\$18.5 billion](#) in November 2005 and further [increased the borrowing limit to \\$20.775 billion](#) in March

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2006. In July 2010, the borrowing limit was decreased to \$20.725 billion. In 2013, following Hurricane Sandy, Congress increased the borrowing limit to the current \$30.425 billion. Since 2005, the NFIP has made six principal repayments totaling \$2.82 billion and has paid \$4.6 billion in interest. The program paid \$415 million in interest in FY2019.

Table 1. NFIP Borrowing FY1980 to FY1998
(nominal dollars)

| Fiscal Year | Amount Borrowed | Amount Repaid | Cumulative Debt |
|-------------|-----------------|---------------|-----------------|
| 1980 | 917,406,008 | 0 | 917,406,008 |
| 1981 | 164,614,526 | 624,970,099 | 457,050,435 |
| 1982 | 13,915,000 | 470,965,435 | 0 |
| 1983 | 50,000,000 | 0 | 50,000,000 |
| 1984 | 200,000,000 | 36,879,123 | 213,120,877 |
| 1985 | 0 | 213,120,877 | 0 |
| 1986 | 0 | 0 | 0 |
| 1987 | 0 | 0 | 0 |
| 1988 | 0 | 0 | 0 |
| 1989 | 0 | 0 | 0 |
| 1990 | 0 | 0 | 0 |
| 1991 | 0 | 0 | 0 |
| 1992 | 0 | 0 | 0 |
| 1993 | 0 | 0 | 0 |
| 1994 | 100,000,000 | 100,000,000 | 0 |
| 1995 | 265,000,000 | 0 | 265,000,000 |
| 1996 | 423,600,000 | 62,000,000 | 626,600,000 |
| 1997 | 530,000,000 | 239,600,000 | 917,000,000 |
| 1998 | 0 | 395,000,000 | 522,000,000 |

Source: CRS analysis of data provided by FEMA Congressional Affairs, November 20, 2017.

Table 2. NFIP Borrowing FY1999 to FY2020
(nominal dollars)

| Fiscal Year | Amount Borrowed | Amount Repaid | Cumulative Debt |
|-------------|-----------------|---------------|-----------------|
| 1999 | 400,000,000 | 381,000,000 | 541,000,000 |
| 2000 | 345,000,000 | 541,000,000 | 600,000,000 |
| 2001 | 600,000,000 | 345,000,000 | 600,000,000 |
| 2002 | 50,000,000 | 640,000,000 | 10,000,000 |
| 2003 | 0 | 10,000,000 | 0 |
| 2004 | 0 | 0 | 0 |
| 2005 | 300,000,000 | 75,000,000 | 225,000,000 |

| Fiscal Year | Amount Borrowed | Amount Repaid | Cumulative Debt |
|-------------|-----------------|-----------------------------|-----------------|
| 2006 | 16,600,000,000 | 0 | 16,885,000,000 |
| 2007 | 650,000,000 | 0 | 17,735,000,000 |
| 2008 | 50,000,000 | 225,000,000 | 17,360,000,000 |
| 2009 | 1,987,988,421 | 347,988,421 | 19,000,000,000 |
| 2010 | 0 | 500,000,000 | 18,500,000,000 |
| 2011 | 0 | 750,000,000 | 17,750,000,000 |
| 2012 | 0 | 0 | 17,750,000,000 |
| 2013 | 6,250,000,000 | 0 | 24,000,000,000 |
| 2014 | 0 | 1,000,000,000 | 23,000,000,000 |
| 2015 | 0 | 0 | 23,000,000,000 |
| 2016 | 0 | 0 | 23,000,000,000 |
| 2017 | 7,425,000,000 | 0 | 30,425,000,000 |
| 2018 | 6,100,000,000 | 16,000,000,000 ^a | 20,525,000,000 |
| 2019 | 0 | 0 | 20,525,000,000 |
| 2020 | 0 | 0 | 20,525,000,000 |

Source: Data 1980-2017 provided by FEMA Congressional Affairs, November 20, 2017. Data since 2017 from [NFIP Watermark](#) financial statements.

a. The \$16 billion of debt was cancelled rather than repaid (P.L. 115-72, Title III, §308).

Hurricanes Harvey, Irma, and Maria

In January 2017, the NFIP borrowed \$1.6 billion for flood losses in 2016 and debt repayments. On September 22, 2017, FEMA borrowed the remaining \$5.825 billion from the Treasury, reaching the NFIP's authorized borrowing limit of \$30.425 billion. On October 26, 2017, \$16 billion of NFIP debt was canceled to make it possible for the program to pay claims for Hurricanes Harvey, Irma, and Maria. This represents the first time NFIP debt has been canceled, although Congress appropriated funds between 1980 and 1985 to repay NFIP debt. FEMA borrowed another \$6.1 billion on November 9, 2017, to fund estimated 2017 losses, including those incurred by Hurricanes Harvey, Irma, and Maria, increasing the debt to \$20.525 billion. The NFIP currently has \$9.9 billion of remaining borrowing authority. As of June 30, 2020, the NFIP had \$6.39 billion available, with \$5.018 billion in the National Flood Insurance Fund and \$1.621 billion in the reserve fund.

The NFIP transfers a portion of its risk to the private sector through the purchase of reinsurance and the issuance of catastrophe bonds. The NFIP's first large reinsurance purchase was in January 2017, when FEMA purchased \$1.042 billion of reinsurance, structured to pay 26% of losses between \$4 billion and \$8 billion arising from a single flooding event. Claims for Hurricane Harvey exceeded \$10 billion, triggering a full reinsurance claim. FEMA did not claim on the 2018 and 2019 reinsurance purchases, as no storms reached the threshold of \$4 billion in claims.

The NFIP could claim up to \$2.53 billion in reinsurance in 2020: \$0.5 billion from the 2018 catastrophe bond, \$0.3 billion from the 2019 catastrophe bond, \$0.4 billion from the 2020 catastrophe bond, and \$1.33 billion from the 2020 traditional reinsurance purchase. In order for the NFIP to claim on these policies, losses for a single named storm would have to reach \$4 billion for the 2020 traditional

reinsurance, \$5 billion for the 2018 catastrophe bond, and \$6 billion for each of the 2019 and 2020 catastrophe bonds.

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