

National Flood Insurance Program Borrowing Authority

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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, 22 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 December 16, 2022. 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. Only current and future participants in the NFIP are responsible for repaying NFIP debt, as the insurance program itself owes the debt to the Treasury and pays for accruing interest on that debt through the premium revenues of policyholders. Since 2005, the NFIP has made six principal repayments totaling \$2.82 billion and has [paid \\$5.62 billion in interest](#). The program paid [\\$356.8 million in interest in FY2021](#).

Table 1 shows NFIP borrowing, repayments, and debt from FY1980 to FY2022. Comparable figures are not available before 1980. When the NFIP was established, the [borrowing limit was \\$250 million](#). In

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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. 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 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](#).

Table I. 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
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
2006	16,600,000,000	0	16,885,000,000
2007	650,000,000	0	17,735,000,000

Fiscal Year	Amount Borrowed	Amount Repaid	Cumulative Debt
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
2021	0	0	20,525,000,000
2022	0	0	20,525,000,000

Sources: CRS analysis: 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).

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 cancelled](#) 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 cancelled, 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 March 31, 2022, the NFIP had [\\$7.9 billion available](#) to pay claims, with \$5.4 billion in the [National Flood Insurance Fund](#) and \$2.5 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 \$9 billion, triggering a full reinsurance claim. Since then, the NFIP has not claimed any reinsurance, as no storms have reached the threshold of \$4 billion in claims.

The NFIP could claim up to [\\$2.34 billion in reinsurance in 2022](#). In order for the NFIP to claim on these policies, losses for a single named storm would have to reach \$4 billion for the 2022 traditional reinsurance and \$6 billion for each of the 2020, 2021, and 2022 catastrophe bonds. For more information on NFIP reinsurance, see CRS Insight IN10965, *The National Flood Insurance Program (NFIP), Reinsurance, and Catastrophe Bonds*.

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