

April 23, 2013

Senator David Vitter  
516 Hart Senate Office Building  
Washington, DC 20510

Re: The Next Real Estate Crisis

Dear Senator Vitter:

As a citizen, businessman and banker I am deeply concerned about the next real estate crisis our nation will soon be facing and am abhorred that the cause of the pending crisis is the federal government. In 2012 the U.S. Congress passed the Flood Insurance Reform Act of 2012 (the Biggert- Waters Act). Key provisions of the legislation will require NFIP to raise flood insurance premium rates to reflect true risk. Please see attached an article from the *Daily Comet* published on April 6, 2013. The article projects incredible rate increases to the tens of thousands of dollars annually for residential home owners. The impact on business owners will be even worse. Also attached is a Fact Sheet from FEMA explaining the impact of the Act. According to the Fact Sheet, some homeowners will be able to hold onto their subsidized rates. However, those subsidies will disappear if you sell your property, allow the policy to lapse, suffer severe, repeated flood losses, or if you purchase a new policy. It is very easy to see that the marketability and values of residences will be greatly decreased if the flood insurance costs for the new owner are increased so dramatically.

Additionally, as a community banker, I am aware of the impact that the Act will have on the banking industry and the housing industry. Banks have been required to force place flood insurance coverage if the owner (borrower) does not purchase adequate insurance. The act dramatically increases the fine on banks failing to purchase this forced placed coverage up to \$2,000.00 per occurrence. The cost of that forced placed coverage is added to the mortgage balance and the monthly payment is adjusted so that the premium can be repaid over the course of the year. What will happen when premiums of tens of thousands of dollars are added to a borrowers mortgage balance? The answer is quite obvious, borrowers will be unable to pay the escalated mortgage payment, banks will be force to foreclose on these properties and the banks will not be able to sell the properties as very few people will be able to afford the cost of insuring the properties. The fines imposed on banks are not limited to residential properties, banks are required to force place flood insurance coverage for all improved real estate secured loans, which also includes business loans.

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Ironically, banks may not purchase the forced placed flood coverage until 45 days after the owner's (borrower's) policy has lapsed. That lapse will trigger the increased premiums required by the act.

The country is just starting to see the recovery of the housing crisis. It upsets me to see that Congress does not realize the impact of the laws that it passes. I urge you to take all actions necessary to repeal the Flood Insurance Reform Act of 2012 (the Biggert- Waters Act) or amend its provisions to eliminate the devastating affect it will have on our economy.

Sincerely,

Steve J. Lefort  
President & CEO  
State Bank & Trust Company

Enclosures