

NAHB Opposes OMB Proposal to Eliminate New Construction from Flood Insurance Program

The Office of Management and Budget Director Mick Mulvaney yesterday submitted a proposal to congressional leaders to reform the National Flood Insurance Program. NAHB Chairman Granger MacDonald issued the following statement regarding the proposal:

“While NAHB supports reforms to the National Flood Insurance Program (NFIP) that will keep the program fiscally sound and preserve rate affordability, we strongly oppose the new proposal by OMB Director Mulvaney to phase out new NFIP policies for newly-constructed homes. It would simply prevent home builders from being able to provide safe and affordable housing to consumers. By creating uncertainty in the housing market, this proposal would also harm local communities and impair economic growth.

“New homes are built to more stringent safety standards and usually fare much better than the older housing stock in flooding disasters. Moreover, new construction policyholders pay full-risk rates, so they put more into the NFIP than they take out in claims. Why does OMB needlessly propose to penalize new construction? It would only hurt the fiscal soundness of the NFIP and fail to ease taxpayer burdens.

“NAHB will continue to work with Congress and the administration to achieve needed reforms to the NFIP that will ensure it remains efficient and effective in protecting property owners, creates more stability in the housing market, and improves the financial viability of the program.” ■

Baby Boomers resist selling homes, helping to keep prices high and inventory low according to Zillow's Chief Economist

Boomers aren't able to find a home that's smaller and cheaper than the one they're in “that would entice them to move,” Gudell explained, “so for many it does not make sense to sell.”

Generation gap - According to U.S. Census data, there were 83.1 million millennials born between 1982 and 2000. Meanwhile, the number of baby boomers, those born between 1946 and 1964, is 75.4 million.

“When it comes to housing, the two groups are on a collision course. You have millennials that are just entering the market, that are a larger generation than the baby boomers, and you really just need more homes. We're currently dealing with '1994-level' inventory, despite having 63 million more people in the country, so at this point we have to build some more homes in order to accommodate all those people.”

“I think a lot of builders will tell you that they're having a hard time meeting a low enough price point right now, given how expensive labor, lumber, and simply regulation costs are. So when it comes down to making profit work on their end, they're going to build a home that's slightly too expensive for the entry-level market.”

The National Association of Realtors reported sales of homes costing less than \$250,000 have fallen because of declining supply. Meanwhile, sales of homes priced at \$500,000 and above have increased by double digits.

Zillow's Gudell said the tight housing market is getting increasingly tighter by keeping potential sellers on the sidelines. Owners who may want to downsize are reluctant to list their current home and “have to become a buyer” and “join the fight for that small inventory.” The two forces are competing against one another. “The musical chairs is great for sellers, but you don't want to be a buyer now,” she said. ■



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