

EFFECTS OF NONPARTICIPATION
IN THE
NATIONAL FLOOD INSURANCE PROGRAM

1. Flood insurance will no longer be available. No resident or business will be able to purchase a flood insurance policy.
2. No federal grants or loans for buildings may be made in identified flood hazard areas. Includes all federal agencies such as HUD, EDA, Small Business Administration, HHS, etc.
3. No federal disaster assistance may be provided in the form of loans for repair or reconstruction of buildings in identified flood hazard areas.
4. No federal mortgage insurance may be provided in identified flood hazard areas. This includes FHA, VA, Farmers Home, etc.
5. No Fannie Mae, Freddie Mac, and GNMA purchase of mortgages in the secondary market may be made if the properties that are the subject of these mortgages are located in Special Flood Hazard Areas of nonparticipating communities.
6. Lenders of conventional loans:
 - a. must notify the buyer or lessee that property is in a flood hazard area; and
 - b. must notify the buyer or lessee that property in flood hazard area is not eligible for federal disaster relief in a declared disaster.
7. Actuarial rates go into effect for first layer coverage of all construction occurring after the effective date of the Flood Insurance Rate Map (FIRM), regardless of whether or not the community participates in the program at that time. Construction which is allowed to be prone to flood damage because of the lack of an effective ordinance will be subject to prohibitively expensive flood insurance rates when the community does enter the program. Also, the risk of flood damages and expensive flood insurance premiums will adversely affect the future market values of such structures.
8. Construction which occurs within the areas of an identified floodway, without regard to the fact that such regulatory areas have been designated and that such construction does adversely affect (increase) flood water depths and velocities, will incur the possible liability of causing increased flood damages to adjacent properties in the event of major flooding.
9. If flooding occurs, it is possible that the local government could be held liable by residents and/or businesses who could not get flood insurance because of the decision not to participate in the National Flood Insurance Program.
10. If a community is suspended for a significant length of time, in order to re-enter the NFIP, the community must bring all construction in the floodplain (from the date of suspension) into NFIP compliance to the maximum extent possible.