



Federal Emergency Management Agency  
Region V  
536 South Clark Street, 6<sup>th</sup> Floor  
Chicago, IL 60605-1521

EFFECTS OF NON-PARTICIPATION  
IN THE  
NATIONAL FLOOD INSURANCE PROGRAM

1. Flood insurance will no longer be available. No resident will be able to purchase a flood insurance policy.
2. No Federal grants of 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. Only limited Federal disaster assistance may be provided 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. Legislative changes to Flood Disaster Protection Act, (FDPA) lifted restriction on conventional loans in non-participating communities and replaced it with the requirement that lenders:
  - a. must notify buyer or lessee that property is in a flood area: and
  - b. must notify buyer or lessee that property in flood hazard area is not eligible for Federal disaster relief in a declared disaster.
6. Actuarial rates go into effect regardless or whether or not a community participates in the program. Without a local flood plain management ordinance unsafe construction today may be prohibitively expensive, and therefore unsalable, tomorrow. Such a condition could be triggered by a community's reentry in the program at a later date. Examples of reasons for re-establishing eligibility:
  - a. New legislative body or inclination of such a body.
  - b. Larger share of mortgage market through FHA, VA, Farmers Home.
  - c. Federal grant or loan for particular project.
  - d. A major disaster, triggering need for disaster aid.
  - e. Changed political pressures.
7. Local governing body may be susceptible to some form of liability by not participating because their action:
  - (1) denies the ability of its citizens to purchase flood and related water damage insurance, and:
  - (2) does not take positive steps to reduce the exposure of life and property in the face of authoritative scientific and technological data. Up to now, there have been no consistent court rulings along these lines.