NC Department of Public Safety
EMERGENCY MANAGEMENT

Roy Cooper, Governor

Eddie M. Buffaloe Jr., Secretary
William C. Ray, Director

EFFECTS OF NON-PARTICIPATION IN THE NATIONAL FLOOD INSURANCE PROGRAM

The National Flood Insurance Program (NFIP) is a voluntary program. A community has the right to choose whether or not to participate in the NFIP and regulate development within flood-prone areas designated by FEMA. However, the Federal government will not support development in these hazardous areas through Federal programs if a community chooses not to participate. Federal law imposes certain restrictions on Federal or federally-assisted financing within the flood hazard areas of non-participating communities. State restrictions on hazard mitigation grants and disaster assistance also apply.

FLOOD INSURANCE Flood insurance is not available through the NFIP in a non-participating community. Residents and property owners cannot purchase an NFIP flood insurance policy or renew an existing policy. Existing policies are cancelled at the end of the current policy year.

FEDERALLY-BACKED MORTGAGES No federally-backed mortgages (e.g., FHA, VA, and FmHA) are available for buildings in Special Flood Hazard Areas (SFHAs).

FEDERAL GRANTS AND LOANS No Federal grants or loans may be made for buildings in SFHAs. This includes all Federal agencies such as HUD, FmHA, SBA, and Rural Housing Services.

STATE DISASTER ASSISTANCE Communities are not eligible for State Public Assistance grants to recover from flood damage following State declared disasters.

FEDERAL DISASTER ASSISTANCE No Federal disaster assistance may be provided for the permanent repair or reconstruction of insurable buildings in SFHAs following a Presidential disaster declaration resulting from flooding.

MORTGAGE INSURANCE No Federal mortgage insurance may be provided in SFHAs. This includes FHA, VA, and Rural Economic and Community Development Services.

CONVENTIONAL LOANS Conventional loans (non-federal or private sources of funding) are allowed on real property in SFHAs at the discretion of the lending institution **provided that the lender** (a) notifies the buyer or lessee that the property is in a flood hazard area and (b) notifies the buyer or lessee that the property in the flood hazard area is not eligible for Federal disaster assistance in a declared flood disaster.

IMPLEMENTATION The Flood Insurance Rate Map (FIRM) goes into effect and the flood resistant construction provisions in the NC Building and Residential Codes must be implemented in SFHAs **regardless of whether or not a community participates in the NFIP.** Unregulated construction in SFHAs might become unsalable in the future due to cost-prohibitive flood insurance rates or the unavailability of mortgage loans.

LIABILITY The local governing body may be susceptible to liability by not participating because their action (a) denies the ability of its citizens to purchase flood insurance, (b) does not take positive steps to reduce the exposure of life and property in the face of authoritative scientific and technical data, and (c) may permit unwise development that aggravates flooding.

REAPPLICATION If the community permits development to take place in the floodplain that aggravates the flood hazard, the community will be required to remedy the increased hazard to the maximum extent possible before eligibility can be restored.

HAZARD MITIGATION ASSISTANCE GRANTS Communities are not eligible to apply for disaster or non-disaster hazard mitigation assistance grants (e.g., HMGP, BRIC, FMA).

1636 Gold Star Drive Raleigh, NC 27607 | 4236 Mail Service Center Raleigh, NC 27699-4236
Phone: 919-825-2500 Fax: 919-825-2685 | www.ncdps.gov www.readync.gov
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