

**Disaster Recovery Initiative  
U.S. Department of Housing and Urban Development (HUD)**

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**Department of Defense Appropriations Act, 2006**

**Louisiana Office of Community Development,  
Division of Administration**

**Louisiana Recovery Authority**

**Substantial Changes and Clarifications**

**to Action Plan Amendment No. 1 for FY 2006**

**CDBG Disaster Recovery Funds**

**Action Plan Amendment for Disaster Recovery Funds**



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Governor**

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Lieutenant Governor**

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# 1. Introduction

Hurricane Katrina hit the State of Louisiana on August 29, 2005, and Rita slammed into the state on September 24, 2005. They were the second and third Category 5 hurricanes of the 2005 hurricane season. The storms were deadly and costly to communities throughout the Gulf and particularly destructive to Louisiana. More than 1,100 persons lost their lives in Louisiana; approximately 18,000 businesses were destroyed; roads, schools, public facilities, medical services were washed away; and thousands of people were forced to relocate.

The storms destroyed or severely damaged an unprecedented number of properties.

- 123,000 homes were destroyed or suffered major damage.
- 82,000 rental properties were destroyed or suffered major damaged.
- Housing repair costs are estimated at \$32 billion. Some, but not all, of this was insured.
- Of the rental and owner occupied units that are now uninhabitable, a substantial portion were occupied by low income households.

The US Congress has appropriated funds for recovery in two public laws. The first supplemental appropriation, PL 109-148 provided \$11.5 billion to the states of Mississippi, Louisiana, Alabama, Florida and Texas through the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) Program. Louisiana received \$6.2 billion of those funds. The second supplemental appropriation, PL 109-234, provided an additional \$4.2 billion in CDBG for Louisiana.

Governor Kathleen Babineaux Blanco has prioritized housing redevelopment, infrastructure rehabilitation, and economic development as the primary uses of the two supplemental appropriations. The supplemental CDBG recovery funds are available to the State subject to HUD approval of Action Plans which describe how the funds will be used. The Louisiana Recovery Authority (LRA) has been charged by the Governor and Louisiana Legislature with statutory responsibility for developing policy and the required action plans. The Louisiana Office of Community Development, the agency that administers the State's annual CDBG Program, will administer the supplemental CDBG recovery program.

This Action Plan amendment describes *The Road Home* Housing Programs, consisting of four sets of programs for the restoration of Louisiana's housing stock and its communities: *Homeowner Assistance Program*, *Workforce and Affordable Rental Housing Programs*, *Homeless Housing Programs*, and *Developer Incentives*. The purpose of this Action Plan Amendment is to clarify and update the housing program descriptions previously published in an Action Plan Amendment on April 6, 2006. Future Action Plan amendments will describe other aspects of the State's supplemental CDBG recovery program.

To promote sound short- and long-term recovery planning at the state and local levels that impact land use decisions that reflect the need for responsible flood plain management and growth, the State, through the LRA, is leading community planning efforts in the most affected parishes. Dubbed *Louisiana Speaks*, this effort is a multifaceted planning process to develop a sustainable, long-term vision for South Louisiana in the wake of the destruction caused by Hurricanes Katrina and Rita. The plans developed locally through *Louisiana Speaks* will be supported by CDBG allocations. The redevelopment of communities will be guided by the plans derived through *Louisiana Speaks* and other local planning efforts. Homeowners receiving assistance through the Road Home program will undoubtedly factor these plans into their personal decisions about whether to remain in their home or relocate, but assistance to individual homeowners under this program will not be dependent on the adoption of such plans by state or local authorities.

### **1.1 Goals of *The Road Home* Housing Programs**

*The Road Home* Housing Programs have several goals. They will:

- Provide compensation to homeowners for damages to their homes related to Hurricane Katrina and Hurricane Rita;
- Help restore pre-storm value to homeowners who want to return to Louisiana;
- Provide affordable rental housing opportunities for displaced residents; and
- Provide housing for the return of critical workforce.

*The Road Home* Housing Programs will achieve their goals by ensuring, among other things, that:

- Neighborhoods are rebuilt pursuant to locally driven plans that emphasize safety and reduce risks in rebuilding;
  - Homes are rebuilt in ways that ensure safer and smarter construction and meet the State's codes and the latest available flood elevation guidance from FEMA
  - Neighborhoods are rebuilt in a manner that promotes mixed income communities; and
- Households with special needs such as the elderly and those with disabilities are provided housing opportunities

### **1.2 Basis for Recommendations**

*The Road Home* Housing Programs have been designed based on the best available information on housing needs, housing costs, potential public funding and the ability of the programs to leverage private resources. This Action Plan Amendment describes *The Road Home* Housing Programs to be supported with Community Development Block Grant funds appropriated under PL 109-148. A separate Action Plan Amendment

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<sup>12</sup> Budgets are exclusive of FEMA Hazard Mitigation Grant Program funds that may be spent on housing.

will be prepared to describe the programs to be supported with funds appropriated under PL 109-234

Subject to further refinement of the program guidelines and structure of operations, following are preliminary estimates of the allocation of CDBG program funds:

**Figure 1  
The Road Home Program Budgets<sup>2</sup>**

<b>ACTIVITY</b>	<b>Funded in PL 109-148</b>	<b>Funded in PL 109-234</b>	<b>Total Housing Funds-PL 109-148 and PL 109-234</b>
Assistance to owner-occupants	\$3,551,600,000	\$2,795,800,000	\$6,347,400,000
Homeless supports and housing	\$25,900,000		\$25,900,000
Workforce and affordable rental housing	\$892,700,000	\$643,000,000	\$1,535,700,000
Developer incentives and code enforcement	\$32,100,000		\$32,100,000
State administrative costs	\$79,700,000	\$41,200,000	\$120,900,000
Housing costs previously approved in Action Plan 1	\$18,000,000		\$18,000,000
<b>TOTAL</b>	<b>\$4,600,000,000</b>	<b>\$3,480,000,000</b>	<b>\$8,080,000,000</b>

The CDBG funds directed to workforce and affordable rental housing will supplement an estimated \$1.7 billion in private equity investments derived from Low Income Housing Tax Credits allotted to Louisiana through the federal Gulf Opportunity Zone legislation. In addition, the State will supplement assistance to owner-occupants with an estimated \$1.17 billion in housing-related Hazard Mitigation Grant Program funds.

The damage from Hurricanes Katrina and Rita disproportionately impacted families with low to moderate incomes. HUD therefore requires that at least fifty percent of the supplemental CDBG funds allocated to Louisiana for recovery be invested in programs that directly support those families. Accordingly the great majority of funds will go to low- and moderate-income families.

If federal agencies require changes to the proposed Action Plan Amendment or program costs exceed projections and available funding, Louisiana will be required to modify this proposed Action Plan Amendment.

## 2. Assistance to Homeowners<sup>3</sup>

### 2.1 Overview of the Homeowner Assistance Program

In the aftermath of Hurricanes Katrina and Rita, an estimated 123,000 owner-occupied homes were destroyed or suffered major damage, according to FEMA. In response to this unprecedented disaster, Louisiana will use \$3,551,600,000 of the supplemental CDBG funds provided under PL 109-148 to assist homeowners. An additional \$1.17 billion of funds from the FEMA Hazard Mitigation Grant program will assist homeowners. The total housing budget including administration is shown in Figure 1.

The overarching purpose of *The Road Home* is to rebuild Louisiana's impacted communities. Devastated communities will be blighted by abandoned homes, clouded land titles, and disinvestments if a large portion of the financial assistance is not provided to homeowners as compensation for their losses and as incentives for homeowners to remain in the affected areas. Therefore, the most comprehensive financial and technical assistance packages will be made available to those pre-Katrina and Rita homeowners who make the effort and take the risks to move back to play a part in rebuilding Louisiana. The homeowner assistance activities consist of the following:

- Funds provided to homeowners as (i) compensation grants for hurricane damage to their home, without limitations with respect to income, and additional compensation in the form of affordable compensation loans for eligible homeowners (i.e., those whose earnings are less than or equal to 80% of median income for the affected area); or (ii) payment for the acquisition of their homes by the State ("Buyout/Relocate" or "Sale" Programs). Homeowners can elect how to receive their assistance (i.e., as compensation for losses if they elect to retain their home or as payment for the sale of their homes to the State). After certain deductions, the homeowner has complete discretion as to the use of compensation grant funds received, as allowable by State and Federal law, as they work through their personal disaster recovery situation.
- The state will require that a homeowner who elects to keep his/her home allows covenants be placed on it. The covenants ensure that the homeowner is returning to the neighborhood and helping to rebuild the community by requiring owner occupancy for three years. The covenants also help ensure that homes are better able to withstand storms by requiring that the home to be occupied meets local codes, is elevated if required to do so to meet the FEMA's latest flood elevation guidance, and that the home is insured against hazards. The covenants do not require program funds to be used to meet these conditions.
- To ensure that the Road Home's goals are achieved and the covenants satisfied, the State has worked with lenders to gain their consent to subordinate their

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<sup>3</sup> For the purpose of this Action Plan amendment homeowner and owner occupant are used interchangeably.

mortgage liens to the covenants. A homeowner should expect that the first mortgage lender, in exchange for the subordination of the mortgage lien, will ask that payments received by the homeowner be deposited in a disbursement account for the benefit of the borrower. The homeowner and the first mortgage lender will be able to jointly manage the funds in the account.

- A homeowner without a mortgage who elects not to sell a home to the State will also sign the covenants to ensure that the program requirements are met. Payments may be made to such homeowners by the State in installments to ensure compliance with the covenants.
- A homeowner may elect to use funds received to relocate to another home in the State, or to move outside of the State, but the payment provided will be less than the payment available if the owner elects to remain and reinvest in the State.

## **2.2 Eligibility for Homeowner Assistance**

To be eligible for the Homeowner Assistance Program:

- The homeowner must be able to prove that he or she owned and occupied the property as a primary residence at the time of the Katrina/Rita disasters, prior to August 29, 2005;
- The home must be in a single-unit or double-unit structure. If the Homeowner Assistance Program is chosen, the full double-unit structure will serve as the basis for calculation of assistance up to the program cap of \$150,000. For multi-unit structures larger than double unit structures, if the homeowner chooses the Homeowner Assistance Program, funding of up to \$150,000 is available, but is based only on the damages to and value of *the unit in which the owner resides*. The owner occupant landlord may also choose the Small Rental Property Repair Program instead; and
- The owner must have registered for FEMA Individual Assistance and FEMA must have categorized the home as having been “destroyed” or having suffered “major” damage. In certain cases, FEMA may fail to notify a homeowner that the home has been classified as destroyed or suffering major damage, or FEMA has declared a home with such damage ineligible for home repair assistance because the home was covered by insurance. These homeowners may still be eligible for assistance if the damage to their home meets the FEMA damage classification as destroyed or suffering major damage as verified by the State through alternative means.

Applicants must meet all of the above requirements to receive assistance. Homeowners that believe they have suffered major or severe damage, but did not qualify for FEMA assistance will be able to appeal their eligibility for *The Road Home*. Homeowners who believe they will be eligible for the program are encouraged to register with *The Road Home* registry at [www.LouisianaRebuilds.info](http://www.LouisianaRebuilds.info) or by calling 1-888-ROAD-2-LA.

During the process of reviewing applications to *The Road Home*, the LRA will make available information about the preferences of homeowners to retain their homes or relocate so the choices can inform local planning processes. In areas where a high proportion of homeowners are choosing not to remain in an area, state or local authorities may limit the use of assistance only to purchase of properties.

### **2.3 Requirements for Receiving *Road Home* Homeowner Assistance**

To accomplish the State's goal to resurrect damaged communities, the LRA proposes to encourage investment in Louisiana. The homeowner will be required to demonstrate his or her commitment to the State by signing a legally binding agreements and covenants to ensure that the *Road Home* Housing Program goals are met. The program agreements and commitments include, but are not limited to, assurances that:

- An occupied home meets the legal requirements under the State Uniform Construction Code,<sup>5</sup> complies with local zoning codes, and if located in a special flood hazard zone, complies with the latest available FEMA guidance for base flood elevations, unless exceptions are granted by the LRA based on reasonable alternatives where safety is not minimized;<sup>6</sup>
- If staying in the state, a home will remain owner-occupied for at least three years after receipt of funds from *Road Home* as the homeowner's primary residence;
- A home will be covered by a residential hazard insurance;
- A home will be covered by a flood insurance if the home was previously flooded or is located in a special hazard flood zone;
- Claims for unpaid and outstanding insurance payments and other reimbursements that may duplicate program benefits will be subrogated back to the *Road Home*; and

Homeowners making application to the program must be willing to:

- Sign a release so that information given to FEMA can be verified by *Road Home*
- Agree to verification of their ownership status the amount of disaster related damage to the home, and its pre-storm value;

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<sup>5</sup> A number of communities have not yet adopted or implemented the State Uniform Construction Code. Pursuant to the State's commitment to rebuild safer and stronger communities, homeowner assistance provided by *The Road Home* will be contingent upon local enforcement of and individual compliance with all legal requirements under the code.

<sup>6</sup> Federal and state law may require homes in historic districts to meet additional standards.



- Swear to the accuracy and completeness of all information provided to the Program under penalty of law;
- If selling the property to the State, and the home has no historic value is not salvageable (as may be determined by *Road Home*), agree to convey the property as a cleared site. If the property is not cleared, the cost of demolition and/or removal of the home from the site may be deducted from the proceeds of the sale of the home by the homeowner to the State, prior to payment of such proceeds to the homeowner.

NOTE: The Army Corp of Engineers and FEMA provide assistance for clearance and homeowners are urged to take advantage of the resources in order to avoid deductions from the Road Home benefits.

Homeowners that fail to meet all of the program's requirements may not receive benefits or may be required to repay all or some compensation received back to the *Road Home* program.

## **2.4 Amounts and Forms of Homeowner Assistance**

### 2.4.1 Maximum Assistance

- The maximum financial assistance from all Program resources for owner occupants is up to \$150,000. The proposed ceiling assumes that estimates of likely demand for assistance derived from HUD, FEMA and SBA data are accurate. If demand for funds exceeds estimates, the maximum amount of financial assistance per household may be reduced.

Though it is the intent of the program that homeowners have sufficient resources to get back in to a home, not every homeowner is necessarily entitled to the maximum amount of financial assistance. In many cases the *Road Home* will not provide 100% of the resources the homeowner needs to recover from the losses suffered as result of Hurricane Rita or Hurricane Katrina. This is true for many reasons, such as the fact that assistance is capped at \$150,000, labor and material costs in Louisiana are very high, and assistance is reduced by any hazard insurance, flood insurance, , FEMA benefits and other compensation payments received by the homeowner for the losses due to Hurricane Katrina and Hurricane Rita.<sup>9</sup>

Note that *Road Home* is not an entitlement program and cannot go over budget. If costs exceed budgeted projections, grant assistance to homeowners will have to be reduced and the Program may be required to pro-rate benefits to all homeowners.

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<sup>9</sup> The reduction of *Road Home* benefits by the amount of compensation received from other sources is a requirement imposed by federal funders to eliminate duplication of benefits.

## 2.4.2 Financial Assistance for Homeowners - Overview

The Program will provide compensation for three types of homeowners: Homeowners that want to retain their homes (referred to as “retain”)

- Homeowners that want to sell the home they occupied as of the date of the storms, but remain homeowners in Louisiana (referred to as “buyout/relocate”)
- Homeowners that want to sell the home they occupied as of the date of the storms, and either move from the state or remain in the state but as a renter (referred to as “sell”).

Compensation is provided in exchange for acceptance of legal agreements described in Section 2.3. Homeowners that want to retain their home or receive a buyout/relocation will be eligible for compensation calculated in three tiers:

- a compensation grant to cover uninsured, uncompensated damages by the homeowner as a result of Hurricane Katrina or Hurricane Rita.
- a hazard mitigation grant; and<sup>10</sup>
- an additional affordable compensation loan for homeowners with limited access to private capital (those with income at or below 80% of median income), which will be forgiven over a period of years.

The calculation of compensation payments takes into account the cost of replacement housing, the value of a home before the storm, and other payments received by the homeowner as compensation for losses. Further, for homeowners who did not carry the type of insurance required for the home (for example, those who were living in a flood zone but did not have flood insurance), the compensation grant will be reduced by 30%.

**Figure 1** provides a summary of the basic calculations that the State will use to determine compensation benefits. **Appendix 2** provides examples of how hypothetical households might be assisted.

### Figure 1 – COMPENSATION GRANT FOR RETAINING HOME:

Equals the lesser of the following two equations up to \$150,000.

Estimated Cost of Replacement (Minus) other Compensation [FEMA, Insurance, other funds] (Minus) 30%  
Penalty for failure to have insurance if applicable

OR

Pre-storm value (Minus) other Compensation [FEMA , Insurance, other funds] (Minus) 30% Penalty for  
failure to have insurance if applicable

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<sup>10</sup> Hazard mitigation grants are generally available to pay for costs of elevation in order to meet Advisory Base Flood Elevations and for post repair mitigation measures. The Road Home will establish maximum allowances for mitigation activities prior to program implementation based on the availability of resources.

### Determining Cost of Replacement Housing

It is the State's Policy that participants in the *Road Home* Homeowner Assistance Program deserve a fair and independent estimate of the cost of damages from the storms regardless of the cause of the damage. Therefore, the *Road Home* program staff plans to evaluate homes to identify the costs. The *Road Home* Program reserves the right to use damage estimates prepared by others such as FEMA, the Small Business Administration, and insurance companies where those estimates are deemed reliable.

### Pre-Storm Value

To accurately calculate compensation, the *Road Home* Program must base assistance on a fair and equitable pre-storm value of the home. There are several sources of valuation available, each of which has benefits and drawbacks, including fair market values determined through Automated Valuation Methods (AVM) and other alternative methods such as insured value, a recent pre-storm appraisal, or assessed value for property tax purposes. The Louisiana Recovery Authority and Office of Community Development will determine the final method for calculation of pre-storm value in conjunction with the private professional services firm responsible for administering the *Road Home*.

While the program must apply a common method for valuation to all homes qualifying for assistance to efficiently address all applications, there will be cases in which the homeowner believes the Program's assessment does not accurately reflect the pre-storm value, due to unaccounted structural improvements or other factors. In such cases, homeowners will be able to appeal the valuation by presenting a valid alternative assessment or other evidence. The process and requirements for appeal will be determined by the Louisiana Recovery Authority and the Office of Community Development in conjunction with the private administrator.

### Duplication of Benefits

Pursuant to federal statute and HUD requirement for the CDBG program, homeowner assistance may not duplicate any benefits from any source, received by the homeowner as a result of damages incurred during Hurricanes Katrina and Rita. Therefore, compensation from other sources such as FEMA and insurance payments for damages must be deducted from *Road Home* compensation.

### 2.4.3 Buyout/Relocate

A homeowner who elects to stay in Louisiana as an owner but not in the same home will be able to sell their property to the State. The calculation of compensation is similar to that used for homeowners that decide to retain their homes and is shown in **Figure 2**. **Appendix 2** provides examples of how hypothetical households might be assisted.

**Figure 2 – COMPENSATION GRANT FOR BUYOUT/RELOCATE**

Equals the lesser of the following two equations up to \$150,000

Estimated Cost of Replacement (Minus) other Compensation [FEMA, Insurance, other funds] (Minus) 30% Penalty for failure to have insurance if applicable

OR

Pre-storm Value (Minus) other Compensation [FEMA, Insurance, other funds] (Minus) 30% Penalty for failure to have insurance if applicable

**2.4.4 Sale**

Homeowners may elect to relocate outside of Louisiana, and sell their property to the State. In such event, the State will compensate the homeowner for the lesser of the estimated cost of replacement, less insurance and FEMA repair funds or 60% of the home’s pre-storm value, less insurance and FEMA repair funds. **Figure 3** provides summary of the basic calculations that the State will use to determine compensation benefits. **Appendix 2** provides examples of how hypothetical households might be assisted.

**Figure 3 – COMPENSATION GRANT FOR SALE**

Equals the lesser of the following two equations up to \$150,000

Estimated Cost of Replacement (*Minus*) other Compensation [ FEMA, Insurance, other funds] (Minus) 30% Penalty for failure to have insurance if applicable

OR

60% of Pre-storm Value (Minus) other Compensation [FEMA, Insurance, other funds] (Minus) 30% Penalty for failure to have insurance if applicable

**2.5 Redevelopment of Purchased Property**

The publicly chartered nonprofit The Road Home Corporation will take title to properties purchased by the *Road Home* Homeowner Assistance Program. Properties purchased by the program and held by The Road Home Corporation will be redeveloped and returned to commerce or preserved as green space, in a manner which is consistent

with local land use plans and direction. Pursuant to a primary goal of the Homeowner Assistance Program, purchased land will not be left to blight and disrepair.

The Road Home Corporation will work with local and parish governments to decide on the disposition of purchased properties. Working with local and parish governments, The Road Home Corporation may among other things:

- *Develop* properties by packaging the properties for redevelopment, offering them for redevelopment through competitive bids, and overseeing the redevelopment of the property consistent with local and regional plans that have been approved by the LRA and in adherence to the policy guidelines for rebuilding, recovery, and land use management set forth by the LRA. Any proceeds derived through the sale of these properties that exceed approved expenses associated with the redevelopment of the property would be program income and would be used to fund eligible CDBG activities.
- *Transferring* properties from the state to a local redevelopment agency upon approval by the LRA of redevelopment plans that takes into account local land use guidelines. The local agency would package the properties, offer them up for redevelopment through competitive bids, and oversee the redevelopment of the property. Any proceeds derived through the sale of these properties that exceed approved expenses associated with the redevelopment of the property would be considered as program income and will be used for eligible CDBG activities.
- *Maintaining* properties as permanent green space as a result of a decision by local authorities by transferring the properties to an appropriate local land management agency which will operate and maintain them.

The LRA has endorsed the findings and recommendations of the American Institute of Architects and the American Planning Association planning conference held on behalf of the LRA in November 2005. Consistent with those recommendations, for properties that are acquired by the *Road Home* Homeowner Assistance Program or other land assembled by the State for redevelopment, the State will insure that 25% of the properties are used for affordable housing according to HUD guidelines for the HOME program.

Whether properties are managed by a state agency or local redevelopment authority, the properties acquired by the *Road Home* Program or other land assembly programs must retain the affordability requirements defined by this program after their transfer. The State should monitor the property to assure the requirements are met and maintained.

The LRA recognizes the potential for a significant return on investment in property redevelopment, a scenario demonstrated with research in a recent report of the Gerson Lehrman Group. The LRA is committed to reinvesting these proceeds in the comprehensive community redevelopment activities already supported by supplemental CDBG funds allocated through state programs, including *The Road Home*. The priorities of recycled funds shall include housing restoration, affordable housing for homeowners and renters, infrastructure enhancements, and economic development activities designed to help recreate strong communities which are closely tied to transit, jobs, and public services.

## **2.6 Treatment of Homeowners with Special Circumstances**

Assignability: After the launch of *The Road Home*, the State will prepare policies that allow a homeowner to sell his or her home on the open market and to assign rights to Program assistance to the new buyer. Assigned grants will require the new buyer to meet the same requirements as the original homeowner had to meet to qualify and receive assistance under the Program.

Death or Infirmity of Eligible Owner: Some homeowners have died since the time of the storms. In such event, an heir who has been placed into legal possession of the property under applicable law will be eligible for homeowner assistance in place of the deceased owner. If a homeowner is incapacitated due to illness or other infirmity, any person legally authorized to act on behalf of such a person, such as is provided by a power of attorney, is eligible to apply for assistance on behalf of the homeowner.

If a homeowner who has received assistance from *The Road Home* dies after receiving assistance and signing the required legally binding agreements to ensure compliance with the Program requirements, the agreements will continue to apply to the property.

Owner-Occupants Who Have Already Sold Their Principal Residence: Some homeowners may have chosen to sell their homes prior to launch of the *Road Home* Homeowner Assistance Program. It is the goal of *The Road Home* to ensure that damaged properties qualifying under the Homeowner Assistance Program do not remain blighted and undeveloped. If the development goals of the Program are met for the damaged property, and a homeowner that can demonstrate that he or she remains in a loss situation after selling the damaged property to another party, such homeowner may receive assistance under the Program to compensate for remaining losses accordance with the Program requirements.

Owners Who Have Received Other Assistance: Policies will be set for discounting compensation amounts for any grants or below-market interest rate loans from government agencies that may have been received by an owner for these purposes. Pursuant to federal statute, assistance from *The Road Home* must be used to repay any loans from the Small Business Administration (SBA) that a homeowner has received in compensation for the same losses.

Owners of Mobile Homes: To qualify for homeowner assistance, the owner of a manufactured home or mobile home must also own the land on which the damaged home was located.

Any homeowner may appeal the decision related to eligibility, damage assessments, amount of assistance and grant offsets made by the program.

## **2.7 Accounts for Receipt of Funds**

The state will employ a closing agent to disburse compensation to homeowners who elect to retain their property. The closing agent will ensure that legal agreements are signed and covenants recorded. Compensation payments may be paid to the homeowner (i) by payment to a two-party joint account of the homeowner and his or her first mortgage lender, when a first mortgage lender is involved; or (ii) on a periodic basis as evidence of compliance with Program requirements is provided to the State by the homeowner or others, where a first mortgage lender is not involved. The Program administrator or its designated agent will coordinate the execution of documents by the homeowner as necessary or required by the Program to receive the payments, and to ensure that the Program requirements are met.

If the homeowner elects to sell his or her property to the State, the funds may be paid to a closing agent (i.e., such as a title insurance company or a licensed Louisiana attorney acting as title agent or closing agent for the transaction), who will disburse the funds under separate instruction from the State and in accordance with a closing statement or other disbursement statement approved by the State, to ensure that existing mortgage and other liens are paid and satisfied at or after closing with respect to the property purchased by the State, and to ensure that Program requirements are satisfied with respect to such homeowner.

## **2.8 Homeowner Assistance Centers – Process for Receiving Assistance**

Louisiana has initiated a Call Center to allow eligible homeowners to indicate their interest in receiving assistance. The Call Center is the first step in what will be an aggressive campaign to solicit applications for the *Road Home* Homeowner Assistance Programs.

To open lines of contact between displaced Louisiana residents and *The Road Home*, citizens may register key information about their damaged homes by calling 1-888-ROAD-2-LA (888-762-3252; TTY 1-800-566-4224 ) to submit that data to the State's registry, or logging on to a one-stop web portal - [www.LouisianaRebuilds.info](http://www.LouisianaRebuilds.info). This registry pertains only to homes that were occupied by homeowners and damaged by hurricanes Katrina or Rita. Registrants calling *The Road Home* or logging onto [www.LouisianaRebuilds.info](http://www.LouisianaRebuilds.info) will be asked to provide important information, including the resident's name, current address and the location of the affected home, phone

numbers, mortgage information, the status of any insurance settlements and any FEMA or U.S. Small Business Association (SBA) applications or assistance.

When the program commences, eligible homeowners will be notified by mail, email and/or telephone of the opportunity to apply for assistance. Information about financing programs and counseling services will be posted on public websites as well as provided through other resources such as Housing Assistance Centers to be established in various locations.

The Program will not publish application forms or detailed descriptions of the process for receiving assistance until the comment period has ended and the State of Louisiana has determined the amount of federal funds that will be available for all recovery programs.

Most homeowners will have to navigate a maze of obstacles such as negotiating insurance settlements, dealing with mortgage issues, understanding the implications of new flood maps, and dealing with building contractors as they rebuild. An owner will have to make decisions on whether to accept compensation for losses, accept a buyout and relocate, or sell and relocate outside of Louisiana. If an owner has been unable to return to the community, he or she will likely need help finding temporary housing to live in while managing this process. While some homeowners can overcome these barriers themselves, many homeowners will need expert, trustworthy advisors, in addition to receiving financial assistance.

To respond to these needs, the *Road Home* Program will establish Housing Assistance Centers where homeowners can apply for assistance and gain access to advisory services. Advisors will provide information that helps a homeowner:

- Apply for assistance;
- Evaluate his or her personal disaster recovery situation;
- Deal with mortgage and refinancing issues;
- Select professional services providers such as home inspectors, architects, surveyors (for replacement homes) to design and prepare for repairing or replacing homes;
- Make informed decisions about selection of repair contractors, homebuilders and manufactured housing companies; and
- Obtain advice about fair housing and protections against housing discrimination.

The Housing Assistance Centers will help mitigate the potential for misunderstanding and abuse by providing standardized, structured, and guided relationships between homeowners and service providers. In addition, the Housing Assistance Centers will maintain registries of professional service providers and building contractors.



A firm selected by the State through competition will manage the Housing Assistance Centers. The centers will be staffed by the contractor's employees and may include staff and assistance from non-profit organizations specializing in providing advisory services to homeowners.

The firm selected by the state will use property records from the clerks of court in each parish to validate an applicant's ownership of property.

**APPENDIX 2  
SAMPLE BENEFIT CALCULATIONS**

**Case 1 – INSURED RETIRED COUPLE**

An older couple owns a home with a pre-storm value of \$120,000. Their home was severely damaged and the estimated cost for replacement housing is \$140,000. The home is in a plain and requires elevation to meet the Advisory Base Flood Elevations (ABFEs). After receiving an insurance award of \$40,000, they still have \$80,000 in uncompensated loss of pre-storm value. Their mortgage runs for another 8 years and the monthly payments are modest. What are their options under The Road Home housing plan?

**Homeowner Summary**

Pre-storm Value:	\$120,000
Estimated Cost to Replace Housing:	\$140,000
Insurance:	\$40,000
FEMA Assistance:	\$0
Allowance to elevate home to meet ABFE's:	\$40,000

**What if Couple 1 wants to keep their house?**

**Option 1: Compensation Grant**

Uncompensated replacement costs: (\$140,000-\$40,000)	= \$100,000
Uncompensated loss of value: (\$120,000-\$40,000)	= \$80,000
Grant is lesser of above up to \$150,000	= \$80,000
Mitigation allowance (capped at \$30,000):	= \$30,000
<b>TOTAL ASSISTANCE</b>	<b>= \$110,000</b>

**What if Couple 1 wants to sell their home and buy another in the State?**

**Option 2: Relocate**

Uncompensated replacement costs: (\$140,000-\$40,000)	= \$100,000
Uncompensated loss of value: (\$120,000-\$40,000)	= \$80,000
Grant is lesser of above up to \$150,000	= \$80,000
Mitigation allowance (capped at \$30,000)	= Not required
<b>TOTAL ASSISTANCE</b>	<b>= \$80,000</b>

Couple 1 will not necessarily receive the 80,000 since they will have to pay off the mortgage and any other liens on their home at the time of settlement. They may be eligible for additional mitigation assistance if their new home requires elevation or individual mitigation measures.

**What if Couple 1 wants to sell their home and move outside of Louisiana?**

**Option 3: Sell (Lesser of Uncompensated replacement costs or uncompensated loss of value or 60% of Pre-storm value minus other Compensation)**

Lesser of uncompensated replacement costs or Uncompensated loss of value	= \$80,000
60% of prestorm value	= \$72,000
(Minus other compensation)	<u>-\$ 40,000</u>
Pre-storm Value Basis	= \$32,000
<b>TOTAL ASSISTANCE</b>	<b>= \$32,000</b>

## CASE 2 – INSURED FAMILY

A family bought their home 15 years ago. The home has appreciated in value and the family has upgraded their insurance policy over the years though not enough to pay for all the replacement costs from the damages that were incurred. Damage to the home was significant, but well below the costs of replacement. The pre-storm value is \$400,000 and the estimated cost of repairs is \$200,000. The owner's insurance policy paid for \$130,000 in repair costs. The home is not in an area that requires elevation to meet ABFEs.

### Homeowner Summary

Pre-storm Value:	\$400,000
Estimated Cost to Replace Housing:	\$200,000
Insurance:	\$130,000
FEMA Assistance:	\$0
Allowance to elevate home to meet ABFEs:	\$0

### What if Couple 2 wants to keep their house?

#### Option 1: Compensation Grant

Uncompensated replacement costs: $(\$200,000 - \$130,000)$	$= \$70,000$
Uncompensated loss of value: $(\$400,000 - \$130,000)$	$= \$270,000$
Grant is lesser of above up to \$150,000	$= \$70,000$
Mitigation allowance:	$= \text{N/A}$
TOTAL ASSISTANCE	$= \$70,000$

### What if Couple 2 wants to sell their home and buy another in the State?

#### Option 2: Relocate

Uncompensated replacement costs: $(\$200,000 - \$130,000)$	$= \$70,000$
Uncompensated loss of value: $(\$400,000 - \$130,000)$	$= \$270,000$
Grant is lesser of above up to \$150,000	$= \$70,000$
Mitigation allowance	$= \text{N/A}$
TOTAL ASSISTANCE	$= \$70,000$

### What if Couple 2 wants to sell their home and move outside of Louisiana?

#### Option 3: Sell (Lesser of Uncompensated repair costs or uncompensated loss of value or 60% of Pre-storm value minus other Compensation)

Lesser of uncompensated replacement costs or uncompensated loss of value	$= \$70,000$
60% of prestorm value	$= \$240,000$
(Minus other compensation)	$= -\$130,000$
Pre-storm Value Basis	$= \$110,000$
TOTAL ASSISTANCE	$= \$70,000$

## CASE 3 – LOWER INCOME, SINGLE PARENT HOUSEHOLD

This household bought their home many years ago. The value of the home is \$50,000 and it sustained serious damage in the storm. The estimated cost to repair is \$70,000. FEMA provided \$10,000 in benefits and the insurance paid just \$1,000. The home is not in an area that requires elevation to meet ABFEs. The household earns less than 80% of median income

and cannot get conventional financing and is therefore eligible for an affordable compensation loan.

### Homeowner Summary

Pre-storm Value:	\$50,000
Estimated Cost to Replace Housing:	\$70,000
Insurance:	\$1,000
FEMA Assistance:	\$10,000
Allowance to elevate home to meet ABFEs:	\$0

### What if household 3 wants to keep their house?

#### Option 1: Compensation Grant

Uncompensated replacement costs: (\$70,000-\$11,000)=	\$59,000
Uncompensated loss of value: (\$50,000-\$11,000)	= \$39,000
Grant is lesser of above up to \$150,000	= \$39,000
Mitigation allowance:	= N/A
<b>TOTAL COMPENSATION GRANT</b>	<b>= \$39,000</b>

#### Compensation Loan

Amount of Road Home available after Grant	= \$111,000
Estimated Replacement costs	= \$70,000
(Minus other compensation)	- (\$11,000)
(Minus compensation grant)	- (\$39,000)
Gap	= \$20,000
Compensation Loan = Lesser of Road Home	
Balance or Gap	= \$20,000
<b>TOTAL ASSISTANCE (LOAN + GRANT)</b>	<b>= \$59,000</b>

### What if Household 3 wants to sell their home and buy another home that has an appraisal value of \$70,000 in the State?

#### Option 2: Relocate

Uncompensated repair costs: (\$70,000-\$11,000)	= \$59,000
Uncompensated loss of value: (\$50,000-\$11,000)	= \$39,000
Grant is lesser of above up to \$150,000	= \$39,000
Mitigation allowance	= N/A
<b>TOTAL ASSISTANCE</b>	<b>= \$39,000</b>

#### Compensation Loan

Amount of Road Home available after Grant	= \$111,000
Appraisal value of replacement home	= \$70,000
(Minus other compensation)	- (\$11,000)
(Minus compensation grant)	- (\$39,000)
Gap	= \$20,000
Compensation Loan = Lesser of Road Home	
Balance or Gap	= \$20,000
<b>TOTAL ASSISTANCE (LOAN + GRANT)</b>	<b>= \$59,000</b>

### What if Households 3 wants to sell their home and move outside of Louisiana?

#### Option 3: Sell (Lesser of Uncompensated replacement costs or uncompensated value of loss or 60% of Pre-storm value minus other Compensation)

Lesser of uncompensated replacement (\$70,000-\$11,000)	= \$59,000
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costs or uncompensated loss of value	= \$30,000
60% of prestorm value	= \$30,000
(Minus other compensation)	- <u>(\$11,000)</u>
Pre-storm Value Basis	= \$19,000
TOTAL ASSISTANCE	= \$19,000