

Disaster Recovery Initiative
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**Louisiana Office of Community Development,
Division of Administration**

Louisiana Recovery Authority

***Proposed - Action Plan Amendment No. 43 (Third Appropriation) –
Homeowner Unmet Recovery Needs Program***

To be Submitted for Louisiana Recovery Authority Approval: May 19, 2010

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Action Plan Amendment 43: Solutions to Road Home Homeowner Recipients Unmet Housing Needs

Activity Amount: No change to existing budget

This amendment provides for additional activities under the homeowner program to accomplish the dual goals of the homeowner program of providing assistance to homeowners and rebuilding neighborhoods. It provides for a housing counseling approach and includes the availability of construction lending as an additional tool to enable homeowners to reoccupy their homes and meet the requirements of their original Road Home covenant. These activities will only serve existing Road Home recipients; it does not expand the program to additional participants.

Background

The Road Home program is the single largest housing program in our nation's history and has provided rebuilding grants to over 127,000 households to date. Despite this assistance, preliminary estimates indicate that up to 20,000 households statewide will face continued challenges and likely will not be unable to rebuild and reoccupy their homes, thereby meeting their covenant obligations.

In December 2007, Congress approved a third disaster allocation of \$3,000,000,000 to the state of Louisiana for the specific purpose of completing the Road Home program. The funds are restricted by Congressional language to be used only for this purpose. The state has estimated that, even with a reserve set aside for remaining grant awards and appeals, the state will have approximately \$200 million remaining in this third allocation. The state takes seriously its responsibility to complete this program by assisting Road Home recipients to reoccupy their homes. The estimates of homeowners unable to complete this goal with their available Road Home resources require the state to develop a series of new solutions to meet this goal.

To date, in order to address these challenges, the state has already implemented both the HMGP elevation program and the Non-Profit Rebuilding Pilot Program with resources outside of the third allocation. The HMGP elevation program provides additional funding for those who needed additional resources beyond the \$30,000 Road Home elevation grant to complete their elevation. The Non-profit Rebuilding Pilot Program provides homeowners with construction management and rehabilitation of their homes through local nonprofit rebuilding organizations. This program requires fifty percent of the clientele be those homeowners still residing in FEMA trailers as of summer of 2009. While these two programs make a significant difference, due to eligibility criteria and limited funding, there will still be thousands of homeowners who require additional financial assistance, especially in the current recession where construction lending has been significantly reduced.

The proposal outlined below represents strategy in a portfolio of solutions the state is putting in place to assist these homeowners and to allow the Road Home program to meet its original intent of returning citizens to their homes and rebuilding devastated neighborhoods. In the absence of these strategies, thousands of homeowners will be at risk and the current blight and vacancy challenges faced by our most impacted neighborhoods will increase.

Purpose

This document outlines a construction lending program to assist Road Home recipients who have not yet been able to reoccupy their pre-storm dwelling due to unmet recovery needs related to Hurricanes Katrina and Rita. This program would focus on Road Home recipients who selected option 1—"repair or rebuild my pre-storm address"-- and are still unable to complete construction and re-occupy their home.

Initially \$100 million would be allocated to this program. If additional funds become unencumbered in the Road Home program, additional funds may be added to this purpose.

The construction lending program would offer financing options to Road Home recipients, including those impacted by contaminated drywall, to complete the repair or rebuilding of their pre-storm dwelling. Many homeowners with remaining repair work to be done on their homes often cannot qualify for conventional construction lending due to low credit scores. This program would work with local lenders to develop a portfolio of products to assist these remaining homeowners to secure the necessary resources to complete the repairs on their homes.

Local lenders would be pre-qualified to participate as partners with the state in developing a portfolio of options for this subset of Road Home recipients. Lending products will include, but are not limited to, a loan loss reserve, a guarantee program and/or soft second mortgages. Lending products would be based on the debt ratio, credit score, loan amount and income level of the applicant. All financing products will be combined with housing counseling and construction management services. Funds will be disbursed by lenders as construction milestones are completed.

Eligibility

These programs are specifically geared towards Road Home recipients who are not able to get back into their homes with their current resources. The intent is to maximize the number of homeowners who are able to fulfill the original intent of the program and comply with the covenant. This includes homeowners who did actually rebuild only to find that their reconstructed home contained contaminated drywall and presented a health risk to their families. The programs outlined in this action plan will assist these homeowners in remediating this hazard or allowing them to relocate to a home that is not contaminated.

Persons unable to re-occupy their homes and meet the covenant without additional assistance will be identified through a variety of means, but will follow a similar process once they are identified that evaluates the individual situation and offers the tools most applicable to the homeowner. These homeowners may be identified through a variety of mechanisms including; self-identified, through non-profit interaction including surveys, Road Home monitoring procedures, local code enforcement, or other means. Once identified, homeowners will be availed to a number of solutions in addition to this construction lending program that are already possible under the Road Home program. These solutions will be based on individual needs and preferences within guidelines set by the State and approved by HUD.

To be eligible, participants must be an option 1 Road Home applicant in need of additional assistance to get into their home. There are a number of qualifying events that lead to eligibility including:

- Insufficient compensation for rebuilding
- Rebuilding compensation went to pay rent while displaced
- Forced mortgage payoff
- Contractor fraud or negligence
- Contaminated drywall
- Fraud or negligence by a family member
- Theft or burglary
- Loss of income

These services are being offered to make grant recovery an absolute last resort as it is in the best interest of the homeowner, neighborhood and the state, and it is in keeping with the congressional intent, to enable Road Home recipients reoccupy their homes and neighborhoods.

Monitoring

This activity is considered to be a medium risk activity. Monitoring will be performed by the Office of Community Development staff in accordance with the Homeowner program Monitoring Plan.