

**September 29, 2008**  
**City Council Housing and Human Needs Committee**  
**Seth Weingart**

My name is Seth Weingart, I supervise the Hurricane Relief and Homeownership Protection Project at the GNO Fair Housing Action Center. I want to thank the members of the committee for allowing me the opportunity to speak before you today. For the past 2 ½ years, we have provided counseling to over 400 homeowners with their rebuilding needs. A large part of the individual counseling we do involves helping homeowners move through the Road Home process and appeal grant determinations.

Through our work, one of the biggest problems we have found in neighborhood recovery is the lack of funds available to homeowners to repair Katrina-damaged homes. The Road Home is not providing enough money to homeowners to get their properties back to pre-storm condition, many are forced to live in substandard conditions as they struggle to complete what repairs they can with what they have. Some families are still in FEMA trailers, some are still not able to come home and have to rent apartments in Baton Rouge, LaPlace, etc. And they are facing gaps of sometimes more than \$100,000 in the amount they realistically need to fully restore their homes.

A major reason for this slow pace of return, in addition to the slow pace of the Road Home in giving out grants, is the Road Home's formula to calculate grants which has clearly not provided enough money for families to return to their homes. PolicyLink's study shows how homeowners in neighborhoods with lower property values face an insurmountable gap in funding needed for rebuilding, and it is impossible for that money to come from any other source. 3 years after the storm, insurance proceeds are gone, costs of materials and basic expenses continue to rise, and credit is hard to come by, especially for homeowners who have had to go into debt while they've waited for promised Road Home money to come through, which often was less than people expected. You have all heard from applicants who were told they were going to receive one amount and then went to closing only to be told they were getting much less. One reason for this has been the Road Home's policy, up until recently, to not only use an unfair pre-storm value as the basis of grants, but to also use the lowest pre-storm value on file when the program has multiple appraisals, which it usually does.

Clearly, pre-storm value is not a fair measure when one property can at the same time be worth \$250,000 and \$137,000 as we have seen. Or the same property be worth \$77,000 and then \$110,000. This seems to be such a subjective measure of worth, we do not understand how the state ever decided to use it in the first place. In addition, there is a more pernicious element to this formula, because no matter the pre-storm value, in many of the hardest hit neighborhoods pre-storm values were considered so low, that they are always substantially less than the cost of damage, leading to even larger gaps in the amount of money available for rebuilding. It's not uncommon to see gaps of over \$100,000, and there really is nowhere else for people to come up with this money. This problem is most significant in the Lower 9<sup>th</sup>, New Orleans East, and Gentilly, predominantly African-American neighborhoods that had serious flood damage from

Katrina. Most homeowners in these neighborhoods are facing gaps of more than \$40,000, and the average is over \$70,000 in the 9<sup>th</sup> and NO East.

We believe the City Council can help, as you helped in pushing the LRA to rescind the September deadlines for Road Home applicants. We are asking the City Council to use its influence to ask the LRA to change the grant calculation formula, to take pre-storm value out of it. To use the cost to repair as the basis for determining the gap that homeowners are facing and to fund that gap. To use any surplus Road Home funds to provide additional funds to homeowners facing large gaps. The use of pre-storm value in the grant formula has proven to be seriously unfair and we believe it should be taken out and replaced with a formula that takes into account the damages incurred.

**October 1, 2008**

**LHA/LDRF/PolicyLink Convening**

**Road Home Gaps and Fair Housing Implications of the Road Home Grant Formula**

The Road Home Program was designed to compensate homeowners for their losses from Hurricanes Katrina and Rita, and implicit in the program is that homeowners would use Road Home grants to rebuild wind and flood-damaged homes. Unfortunately, the grant calculation formula has made this exceedingly difficult, especially for low and moderate-income homeowners and those in predominantly African-American neighborhoods.

Because the formula uses the lower of pre-storm value or estimated cost of damage, it effectively penalizes homeowners who lived in communities with low property values, even though the value of a house has no relation to the actual cost of repairs. In cases where the pre-storm value is substantially less than the estimated cost of damage, homeowners are facing a large shortfall in the amount of money needed to return their homes to livable condition. In the predominantly African-American neighborhoods of Gentilly, the Lower 9<sup>th</sup> Ward, and New Orleans East, the average cost of damage was substantially higher than the pre-storm value.

Homeowners in these communities are facing these gaps as a result of the legacy of discrimination in the housing market and the historically lower property values in predominantly African-American neighborhoods. Home values were and continue to be lower in these neighborhoods, in part as a result of federal government policies and the real estate practices that developed out of them that automatically undervalued homes in neighborhoods with significant numbers of minorities, regardless of the general condition of the homes in the area.

Using the Road Home's estimated cost of repairs, we have seen numerous cases where homeowners are facing gaps upwards of \$100,000 in the money needed to repair their homes. This gap is especially clear for those homeowners who received insurance settlements but whose income made them ineligible for the additional compensation grant. We are talking about responsible homeowners who had insured their properties, but because of the severity of the damage, will not have nearly enough money to rebuild,

and have no other source of funds to do so, being unable to qualify for a loan. PolicyLink's "Long Road Home" documented these gaps, showing that over 60% of homeowners in New Orleans East and the Lower 9<sup>th</sup> Ward faced gaps greater than \$40,000. The average gap in New Orleans East was almost \$70,000 and was over \$75,000 in the Lower 9<sup>th</sup>. Citywide the cost of damage is on average \$30,000 larger than the pre-storm value and it is higher in every neighborhood except Lakeview where the cost of damage is actually less than the pre-storm value. So none of those folks got enough to rebuild.

These gaps are exactly the issue the Road Home was meant to address, but it has failed to. Clearly the program is not working when the difference between the cost of damage and the pre-storm value in many of these cases is well over \$100,000. One homeowner in New Orleans East who we have been assisting is facing a shortfall of over \$170,000 due to the Road Home's formula. He only received \$16,000 from the Road Home, even though his estimated cost of damages was over \$300,000. He has been struggling to get his house fixed while having to pay rent for an apartment out of the city, struggling to maintain his mortgage payments so he doesn't lose his house, and has no ability to make up his funding gap in any way. There is no credit available to him. He can't get any financing to make up the gap. His insurance costs have gone up dramatically. His pension and disability check gives him just enough to get by, but not enough to get back.

Any analysis of the rebuilding gaps must take into account all sources of funds including insurance, Road Home, FEMA, SBA loans, and private financing. From all the information we have available, it is clear that African-Americans and low and moderate-income families received the least total amount of money. Their homes were insured for less because they were undervalued, so they got less insurance. They didn't make enough money, so they couldn't qualify for or afford a SBA loan. And then the Road Home, that was supposed to make up the gap, actually made it worse, by not meeting its promise, as grant sizes were much less than anticipated.