

**Testimony to Louisiana Senate Committee on Local and Municipal Affairs
Seth Weingart, Homeownership Specialist, GNO Fair Housing Action Center
Re: SB 740, Road Home Program Applicants' Bill of Rights
May 8, 2008**

My name is Seth Weingart and I am the Homeownership Specialist at the Greater New Orleans Fair Housing Action Center. The Fair Housing Action Center is a non-profit organization dedicated to eradicating housing discrimination in the New Orleans metro area and ensuring fair treatment for all residents to pursue appropriate housing. Since 2006, we have expanded our work to provide counseling to homeowners affected by Hurricanes Katrina and Rita. I would like to thank Chairwoman Gray and the members of the Committee for the opportunity to speak today in support of Senate Bill 740, the Road Home Applicants' Bill of Rights.

In my position, I provide counseling to homeowners with all of their hurricane recovery needs ranging from mortgage and insurance problems to contractors and the Road Home. GNOFHAC began this project in April 2006, and in that time we have assisted over 300 homeowners with their hurricane recovery needs, and a large proportion of our current clients are coming to us because of problems with the Road Home. Applicants' problems vary, and are generally a combination of not receiving enough money to rebuild or sell their property, lack of understanding and information, and confusion about grant calculations, inability to move through the process to closing and through appeals, lack of understanding of the resolution and appeals process, and non-responsiveness, unfair treatment and inappropriate behavior from Road Home personnel.

We believe this Road Home Bill of Rights will do a great deal to alleviate many of the problems applicants are facing and applaud the committee for taking up this issue. This bill will create openness in a process that has made it almost impossible for applicants to get any information about their grants, who have had to make decisions based on incorrect information, and who have had to fight to get every dollar they deserve. By allowing applicants access to their files, especially the appraisals and damage estimates used by the Road Home to calculate grants, homeowners will finally be able to have the information they need to appeal unfair grant determinations. By extending the appeal deadline, all of those homeowners who were lost in the resolution process or who didn't know they had the right to appeal or even what they should be appealing will have the ability to receive fair treatment and a grant that will get them that much closer to getting back in their homes. By creating an inspector general, the applicants will have someone to advocate for them from within, someone who will see all the inaccuracies and miscalculations, and who will be able to fix these problems. And an independent audit will show how funds have been misspent and how this situation can be fixed to ensure all applicant have the ability to receive fair grants in order to rebuild. .

Most importantly, I would also like to speak to the section of the bill regarding the Additional Compensation Grant. We fully support the section of the proposed legislation that would increase the ACG cap to \$75,000 and increase the eligibility for those families who earn up to 120 % of AMI, and recommend that these policies be implemented

immediately and retroactively to all applicants still in the process and to those who have already received their grants. In light of the recent reports that the program will have far fewer applicants than projected, there should be money available to help homeowners still facing a large gap in funds needed to rebuild, and especially these homeowners who are the most in need.

As I mentioned before this Committee on a previous occasion at a meeting in New Orleans, the reason so many applicants are facing a shortfall in rebuilding funds is because of the use of pre-storm value in the grant calculations. In communities with low home values, grants are being based on the pre-storm value, even with damage estimates sometimes double and triple the value of the home. Since the home's value has no relation to the actual cost of rebuilding, this is leaving many families short of needed money to get back in their homes, especially for those who make too much money to be eligible for ACG. The LHFA *Louisiana and New Orleans Metro Housing Needs Assessment Executive Summary* released on February 15, 2008 states:

The grant equation addresses the pre-storm value of homes. The compensation grant is equivalent to the estimated cost of damage minus other assistance (insurance, FEMA, etc.) or the pre-storm value of the home minus other assistance. For areas with lower property values that were severely damaged, the cost of repair exceeds the pre-storm value. With construction costs estimated at \$120 per square foot, many homeowners will likely be tens of thousands of dollars short of fully funding repair. Even with the Additional Compensation Grant (ACG) of up to \$50,000 for low and moderate income homeowners, there may not be enough funding to replace a home. This is particularly burdensome for middle income families who do not qualify for the ACG but reside in a neighborhood where housing values were low before the storm. There are many instances of this in neighborhoods such as the Lower 9th Ward or in parts of St. Bernard Parish where homes were completely destroyed and the pre-storm value is less than replacement cost.

This also brings me to another point regarding the need for an independent audit of all Road Home files, and specifically the appraisals used to determine pre-storm value. Home appraising is a highly subjective, inconsistent, and somewhat arbitrary process that depending on the quality of the appraiser and the comparable properties used can lead to very different results. Having reviewed many Road Home appraisals myself, it is terribly unfair that these appraisals are being used at all. Any audit that is completed will have to review all the appraisals used in determining pre-storm values for grants and should recalculate grants using better data than what has been used up to this point.

Many appraisals use comparables in completely different neighborhoods, totally different size houses, and with no comparison of the amenities in the house that would make it more or less valuable. In addition to these very serious issues, because the Road Home has changed its pre-storm value policy so many times, many applicants have actually received grants on low pre-storm values when higher legitimate values are available, but

because the policy was changed after they received their grant, it is too late for them to appeal.

For example, one applicant we are assisting received an award letter with a pre-storm value of \$250,000 based on a BPO, but when she went to closing, the grant was actually based on a pre-storm value of \$137,000 from a Market Analysis subsequently conducted. Her grant was cut in more than half, from \$138,686 to \$64,172 and she was given no explanation for the reduction. She appealed immediately and it has been over a year but there has still been no determination on her appeal, and the file was placed in inactive status until only a week ago. The house had almost \$400,000 worth of damage and the ridiculously low grant she received is not nearly enough for the repairs. Because the house was purchased many years ago and there was no recent appraisal, there was no way to dispute it. However, after receiving a copy of the Road Home file, we found that the appraisal used was vastly underestimating the value of the home, using comparable properties that were much smaller. This gave the applicant evidence for her appeal, but what about the thousands of applicants who did not have access to this information? Should they be punished for not knowing how the Road Home was undervaluing their homes and shrinking their grants? For this reason, we believe that if the Road Home continues to use pre-storm value in calculating grants, then it should always use the highest available value, and that all files should be independently audited to determine if the appraisal was fair.

Katrina was a difficult time for all of us, and we owe the people of Louisiana who have had to suffer so much, more than what they are getting with our money. We deserve to be treated fairly, we deserve openness and accountability, and we deserve to be able to rebuild our homes with the money the federal government provided for us. We have an obligation to fix this now before it is too late. I urge you to pass this bill **and truly help the people of Louisiana come home.**