

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

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

Louisiana Recovery Authority

**The Road Home Housing Programs Proposed 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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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.

~~In the wake of t~~The storms an unprecedented number of homes were 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 HR-2863~~ 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 ~~President Bush has asked Congress for an additional \$4.2 billion in CDBG for Louisiana, which is pending appropriation, to fund the housing programs described in this Action Plan amendment.~~

~~As the target of investment of this supplemental CDBG assistance,~~ 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 ~~a~~Action pPlans 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 ~~for the CDBG funds.~~ The Louisiana Office of Community Development, the agency that ~~runs~~ administers the State's annual CDBG Program, will administer the 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 its~~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 housing stock funded partially by CDBG as described herein will follow the plans derived through Louisiana Speaks and other local planning efforts.~~

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;~~Repair and rebuild quality housing in neighborhoods that are safe to live in;~~
- 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 Advisory Base Flood Elevations (ABFE)⁴;
- 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 Funding for The Road Home Housing Programs to be supported with some from the supplemental appropriation of Community Development Block Grant Program funds appropriated under PL 109-148. A separate Action Plan Amendment will be prepared to describe the programs to be supported with funds appropriated under PL 109-234 and Stafford Act Hazard Mitigation Grant Program Funds.~~

~~This Action Plan amendment describes funding for The Road Home programs in two phases: partially funded and fully funded.~~

~~The need for assistance among homeowners far exceeds the initial allotment of CDBG funds made in HR 2863. To meet that need and fully fund The Road Home, Louisiana has worked with the Bush Administration to request from Congress an additional \$4.2 billion in CDBG resources. In this Action Plan amendment, the program allocations entitled “fully funded” amount to proposed levels of funding in anticipation of the appropriation of an additional \$4.2 billion for housing needs.~~

~~Partial funding levels are based on CDBG funds currently available to Louisiana. The plan specifically details the allocation of \$4.6 billion of the initial \$6.2 billion of supplemental CDBG funds to The Road Home.~~

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

Figure 1 **The Road Home Program Budgets²**

¹ FEMA Advisory Based Flood Elevations are the first step in developing new required flood elevations for the National Flood Insurance Program. Wherever this document refers to advisory base flood elevations, we mean the most up-to-date flood elevations regulations or guidance from FEMA and the National Flood Insurance Program.

² Budgets are exclusive of FEMA Hazard Mitigation Grant Program funds that may be spent on housing.

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

~~The Road Home will be fully funded with a total of \$8.08 billion of CDBG funds based upon damage and demand estimates grounded in the most current FEMA and HUD damage data. Louisiana's damages exceed that of other states impacted by the hurricanes of 2005 by three to four times, in nearly every category of damages. Working with the Federal Coordinator of the Office of Gulf Coast Rebuilding, the LRA has demonstrated that the cost of recovery based on the damages to owner-occupied properties, rental properties, and other critical infrastructure such as hospitals, schools, un-funded state and local infrastructure repairs, and sewer and water infrastructure will require no less than \$12.1 billion. The current supplemental CDBG funding of \$6.21 billion, combined with anticipated Hazard Mitigation Grant Program funds available through the Stafford Act, fall short of this total need by \$4.2 billion. Without this additional CDBG funding, the State of Louisiana cannot fully fund its housing program for homeowners and renters, to meet the scale of the challenge. President Bush's commitment to this funding was made in recognition of this need.~~

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 dollars funds allocated to Louisiana for recovery be invested in programs that directly support those families. Accordingly, ~~in both the partially and fully funded housing programs described herein~~, the great majority of funds will go to low- and moderate-income families.

If federal agencies require changes to the ~~State's~~ proposed Action Plan ~~A~~ amendment or program costs exceed projections and available funding, Louisiana will be required to modify this proposed Action Plan ~~a~~ amendment.

2. Assistance to Homeowners³

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 ~~current the~~ supplemental CDBG funds ~~provided under PL 109-148 to assist homeowners. An additional and approximately \$1.17 billion of funds from the FEMA Hazard Mitigation Grant program funds will assist homeowners. The total housing budget including administration is shown in Figure 1.~~ ~~to help selected owner-occupants repair or rebuild their homes, buy or build replacement homes, or sell unwanted properties so they can be redeveloped or converted to open space. In order to avoid future flood losses, all reconstruction work will meet or exceed the latest available FEMA advisory base flood elevations and meet the legal requirements under the State Uniform Construction Code.~~

~~Note that the State will require an additional \$4.2 billion of CDBG in order to provide the full proposed assistance to **all** of the Louisiana homeowners who suffered major or severe damage. President Bush has requested those additional funds from Congress. The budget for owner-occupant assistance following that additional appropriation is anticipated to be \$6,347,400,000 in CDBG funds, with additional funds from the State's Hazard Mitigation Grant Program~~

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 directly invested in rebuilding homes or buying replacement homes~~ 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 are equal to 80% of~~

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

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 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.

~~Financial incentives and advisory services will be available for homeowners who wish to:~~

- ~~Repair— incentives to promote rehabilitation~~
- ~~Rebuild— financial incentives to reconstruct on the same site if repair is infeasible or not economically viable;~~
- ~~Buyout/Relocate— purchase of the home by the program in exchange for an agreement to resettle in Louisiana; or~~
- ~~Sell— voluntary sale of the home with no requirements to resettle or otherwise remain in the community.~~

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 ~~in~~ 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;⁴; and
- The owner must have registered for FEMA Individual Assistance and ~~the home must be categorized by FEMA~~ must have categorized the home as having been “destroyed” or having suffered “major” damage. ~~Homeowners who were approved by FEMA for \$5,200 or more in FEMA home repair assistance (a component of the Individual Assistance Program) will fall into one of these categories.~~ 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 ~~its~~ home repair assistance ~~program~~ because the home was covered by insurance. These homeowners may ~~will~~ still be eligible for assistance ~~if the, though, damage to their home severity that~~ meets the FEMA damage classification ~~at the as~~ destroyed and suffering major damage ~~levels will be 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 ~~currently~~ encouraged to register with *The Road Home* registry at www.LouisianaRebuilds.info or by calling 1-888-ROAD-2-LA.

During the process of reviewing applications to *The Road Home*, the LRA ~~will~~shall make available information about the ~~repair, rebuilding and relocation~~ preferences of homeowners to retain their homes or relocate so the choices can applicants in order to inform local planning processes. In areas where a high proportion of homeowners are choosing not to remain in an area, invest, state or local authorities may limit the use of

⁴ 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 **all** other owner-occupied multi-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.

~~assistance only to purchase of properties access only to Buyout/Relocate and Sell programs.~~

2.3 Requirements for Receiving Road Home Homeowner Assistance

To accomplish the State's goal to resurrect damaged communities, the LRA proposes to encourage ~~homeowners'~~ investment ~~of federal recovery funds~~ in Louisiana. ~~The homeowner will be required to demonstrate his or her~~ To that end, homeowners that make the decision to reinvest in Louisiana will be eligible for the most generous levels of assistance. They will be required to demonstrate that 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 ~~covenant described below:~~

- o An occupied home meets the legal requirements under the State Uniform Construction Code,⁵ 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;⁶
- o 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;
- o A home will be covered by a residential hazard insurance;
- o A home will be covered by a flood insurance if the home was previously flooded or is located in a special hazard flood zone;
- o 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: In exchange for financial incentives, homeowners must:~~

- o Be willing to sign a release so that information given to FEMA can be verified by ~~the Program~~ Road Home
- o;
- o Agree to verification of their ownership status, the amount of disaster related damage to the home, and its pre-storm value;
- o Swear to the accuracy and completeness of all information provided to the Program under penalty of law;
- o If selling the property to the State, and the home has no historic value is not salvageable (as may be determined by Road Home),

⁵ 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.

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

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.

○

~~□ Independently from FEMA, agree to verification of their ownership status and the amount of disaster-related damage to the home;~~

- ~~▪ Swear to the accuracy and completeness of all information provided to the Program under penalty of law;~~
- ~~▪ Agree in legally binding documents to follow through on certain actions related to a home in exchange for compensation, including but not limited to the following:
 - ~~○ Ensure that the home they occupy meets the legal requirements under the State Uniform Construction Code,⁷ complies with local zoning, and 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;⁸~~
 - ~~○ Assure the home will remain owner-occupied for at least three years after the completion of repairs/replacement or new home purchase;~~
 - ~~○ Maintain residential hazard insurance;~~
 - ~~○ Maintain flood insurance if the home was previously flooded or is located in a flood zone;~~
 - ~~○ Agree to subrogate claims for unpaid and outstanding insurance claims back to the Program;~~
 - ~~○ If relocating, move to another home in Louisiana;~~
 - ~~○ Ensure mitigation efforts are undertaken, if mitigation can be done to make a home safer and are cost beneficial to undertake, and if the homeowner's eligible assistance allows funds for such purposes; and~~
 - ~~○ If selling the property to the State and the home has no historic value or is not salvageable, convey the property as a cleared site, agree in writing to allow the Army Corps of Engineers or another governmental entity to clear the property, or provide funds from the sale proceeds for demolition and clearance by the acquiring entity.~~~~

~~The above terms and conditions apply to the home that is repaired, rebuilt or purchased using program funds.—Homeowners that fail to meet all of these terms and conditions~~

⁷ 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.

⁸ Federal and state law may require homes in historic districts to meet additional standards.

~~will forfeit the property that is repaired, rebuilt or purchased using program funds and/ program's requirements may not receive benefits or may be required to repay all or some compensation received back to the Road Home the financial assistance provided through this program.~~

2.4 Amounts and Forms of Homeowner Assistance

2.4.1 Maximum Assistance

The maximum financial assistance from all ~~P~~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.:~~

- ~~▪ All federal funds currently allocated to and sought for the program will be available, including the additional \$4.2 billion that will fully fund The Road Home; and~~
- ~~▪ Estimates of likely demand for assistance derived from HUD, FEMA and SBA data are accurate.~~

~~The partial funding levels for programs contained herein are based on the current supplemental CDBG appropriation. If sufficient funds are ultimately unavailable to fully fund the proposed program or demand exceeds estimates, the maximum amount of financial assistance per household must be lowered. Because Congress has not yet fully funded The Road Home, this Action Plan amendment proposes to provide an initial installment of assistance to homeowners toward their full assistance of up to \$150,000. To provide this installment, a homeowner's eligible assistance will be calculated under the fully funded program design and then allocated as half of that amount.~~

~~Though it is the intent of the program to provide a that homeowners have sufficient the resources to get back in to a home, based upon the homeowner's financial means, needs, and the pre-storm value of the damaged home. Not every homeowner is necessarily entitled to the maximum amount of financial assistance, however, and in many cases the Road Home will not provide 100% of the required resources the homeowner needs to recover from the losses suffered as result of Hurricane Rita or Hurricane Katrina for repair, rebuilding or resettlement. 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 that assistance will be is reduced by any hazard insurance, flood insurance, payments for damage to the structure of the home, by any FEMA benefits assistance for home repairs or replacement, and by other compensation payments received by the homeowner for the losses due to Hurricane Katrina and Hurricane Rita.⁹~~

⁹ ~~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.~~

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.

2.4.2 Financial Assistance for Homeowners - Overview-Incentives to Repair/Rebuild

~~The pProgram will provide compensation for three types of homeowners: financial incentives for homeowners that repair or rebuild their homes on the same site. Homeowners will receive varying amounts of assistance depending on the condition of their home and the compensation received from other sources.~~

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 ~~Homeowners remaining in Louisiana will be eligible for assistance in three tiers:~~

- ~~• an incentive a compensation grant to cover uninsured, uncompensated losses damages by the homeowner as a result of Hurricane Katrina or Hurricane Rita.~~
- ~~• to the home and restore pre-storm value; a hazard mitigation grant; and,¹⁰~~
- ~~• whenever the home can be repaired or rebuilt with cost-effective mitigation measures; and, where a homeowner cannot secure conventional financing, an affordable incentive loan, structured within the homeowner’s financial means, for any gap between the damaged home’s pre-storm value and allowed repair/rebuilding costs.~~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 that the State will use to determine compensation benefits. Pursuant to federal statute and HUD requirements for the CDBG program, homeowner assistance may not duplicate any benefits, derived from any source, that are received by the homeowner as a result of damages incurred during Hurricanes Katrina and Rita. Thus the State must not duplicate insurance of any

¹⁰ 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.

type, FEMA, or other payments received by the homeowner for structural repairs required for such damages.

An explanation of the calculation of financial assistance under the fully funded Homeowner Assistance Program follows below. Appendix 2 provides two examples of how hypothetical households might be assisted to repair or rebuild their home.

Homeowners will first calculate their personal Eligible Assistance Amount using the following formula:

Figure 1 – COMPENSATION GRANT FOR RETAINING HOME Eligible Assistance Amount to Repair/Rebuild

equals

Lesser of:

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 of the home (Minus) other Compensation [FEMA, Insurance, other funds] (Minus) 30%
Penalty for failure to have insurance if applicable Percent damage to the home (plus) Eligible Mitigation costs
(plus) Gap to meet allowed repair/rebuilding costs

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. Eligible assistance does not represent an entitlement to the homeowner, under any circumstances.

The Eligible Assistance Amount will generally be paid in three tiers:

- The first tier will be an Incentive Grant that is intended to restore the pre-storm value of the property. The Incentive Grant will be made under the conditions attached to the legal instrument described in Section 2.3. The amount is calculated as follows:

Incentive Grant – Lesser of

Eligible Assistance Amount

OR

~~Pre-Storm Value x Loss Percentage (minus) Insurance, FEMA Repair Payments and Other Financial Assistance for Repair~~

~~The State will enlist inspectors, through the private contractor administering the program, to determine the appropriate level of damages to the home. It is the State's policy that participants in the Homeowner Assistance Program deserve a fair and independent estimate of projection of damages from the storm, regardless of cause of damage. The program also reserves the right to use damage estimates catalogued by FEMA and insurance companies where those estimates are deemed reliable.~~

Pre-Storm Value

To accurately calculate ~~compensation, the Road Home~~ homeowner's loss, the program must base assistance on a fair and equitable pre-storm valuation 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 homeowner assistance, when full consideration can be given to the capacity and expertise of the firm and any subcontractors brought on to perform valuations~~ 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 standard 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.

~~Note that The 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 would pro-rate benefits to all homeowners.~~

Finally, for homeowners who did not carry the type of insurance required for the home (for example, those who were living in a flood plain but did not have flood insurance), the Incentive Grant will be reduced by 30%.

- The second tier will consist of mitigation assistance, with funding from either the Hazard Mitigation Grant Program, provided through the federal Stafford Act, or CDBG. These funds will complement CDBG assistance for homes that are in flood plains or otherwise eligible for FEMA-funded hazard mitigation assistance. The amount of the hazard mitigation grant will be calculated as follows:

Mitigation Grant = Eligible Mitigation Costs

OR

Eligible Assistance Amount — Incentive Grant

- If additional funds are required to help the homeowner get into a home and funding needs fall within the eligible assistance amount, the third tier will be an Incentive Loan. When conventional financing options exceed homeowners' financial means under HUD guidelines for the monthly amount a homeowner can afford to pay for housing, and the homeowner demonstrates that they have pursued conventional financing and have been denied, the Incentive Loan will be offered to provide an affordable way for homeowners to return to a home when the Incentive and Mitigation Grants do not meet repair or replacement costs. The Incentive Loan will include an allocation for soft second mortgages repayable on sale of the property. Additionally, it will leverage private capital to create larger pools of affordable loan investment capital through the use of mechanisms such as a loan loss guarantee pool and below market interest rates through rate reduction buy-down features. For those cases where it is necessary to do so, the amount of Incentive Loan will be calculated as follows:

Incentive Loan = Eligible Assistance Amount (*minus*) Incentive, Mitigation Grants

As in the determination of pre-storm value, the procedures used to determine the reasonable additional costs to repair or rebuild a home will be established in conjunction with the capacity and expertise of the administering contractor.

The State may also offer additional incentives for homeowners who choose to repair or rebuild within the same parish.

For instances in which the sum of remaining pre-storm loans and the Incentive Loan exceed the market value of the home, the program will develop policies to mitigate the impacts of "negative equity" positions on the home and homeowner by adjusting the repayment terms.

~~In addition, the program shall give recognition and consideration during implementation to homeowners who may have been in a position of negative replacement value prior to the storms. This occurs when a homeowner's pre-storm value would not have sufficiently covered their pre-storm rebuilding costs.~~

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 s-choosing to move elsewhere in Louisiana will be able to sell their homes property to the State, and receive assistance under the guidelines described for homeowners that rebuild on the same site. Owners choosing this option must meet the same eligibility requirements and agree to the same legally binding actions applicable to those choosing to repair or rebuild. Those requirements are described in Sections 2.2 and 2.3 of this Action Plan amendment. For these buyouts to occur, a lien holder may be asked to write off a portion of the current outstanding principal balances of the loan or other lien, and to give consideration to potential lost equity of the homeowner.~~

~~Homeowners who help to shoulder the burden of community recovery by choosing to rebuild within their parish will always be the highest priority of the program. The State may also offer additional incentives for homeowners who choose a buyout but relocate within the same parish. 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

~~Some owner-occupants may choose none of the basic options: to repair, rebuild or relocate in Louisiana. Homeowners may elect to relocate outside of Louisiana, and sell~~

~~their property to the State. In such event, In these instances, 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. Sale compensation will not exceed repair or rebuilding costs for the home. For these buyouts to occur, a lien holder may be asked to write off a portion of the current outstanding principal balances of the loan or other lien.~~

Figure 3 – COMPENSATION GRANT FOR SALE Compensation for Selling Home

With No Other Obligations equals

Lesser Of:

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

Estimated Cost of Replacement ~~60% of Pre-storm value (m~~Minus) ~~other Compensation [insurance (minus) FEMA, Insurance, other funds] (Minus) 30% Penalty for failure to have insurance if applicable repair payments (minus) Other repair assistance~~

OR

2.5 Redevelopment of Purchased Property

~~The publicly chartered nonprofit The Road Home Corporation will take title to properties purchased by Properties purchased through The the Road Home Homeowner Assistance pProgram. Properties purchased by the program and held by The Road Home Corporation will be either redeveloped t~~and~~ be 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 LRA recognizes two distinct options for assigning responsibility for management of land assets. Land acquisition, maintenance and redevelopment can be managed by a:~~

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:

- o 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.

~~1.State Agency—Assign these properties to a new or existing state agency which will be charged with working in ways consistent with local land use plans and direction, packaging the properties for redevelopment, offering them for redevelopment through competitive bids, and overseeing the redevelopment of the property consistent with local plans. Any proceeds derived through the sale of the property that exceed approved expenses associated with the redevelopment of the property would be returned to the Supplemental CDBG program.~~

~~2.Local redevelopment authority - Transfer specific properties from the state to a local redevelopment agency upon approval by the LRA of the authority's redevelopment plan that takes into account local land use guidelines. The local authority 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 the property that exceed approved expenses associated with the redevelopment of the property would be returned to the Supplemental CDBG program.~~

~~For properties that are to become green space as a result of a decision by local authorities, those properties will be transferred to the 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 assembly ~~ed program for redevelopment, by~~ the State- 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 *Homeowner Assistance 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 final assignment of redevelopment authority will be resolved during the month of May by the State through ongoing deliberations with the Louisiana Congressional delegation, state legislators, local authorities, and civic leaders.~~

~~Under either scenario,~~ 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 ~~s~~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 Subsequent to~~ the launch of *The Road Home*, the State will prepare policies that allow an homeowner to sell his or her home on the open market and to assign rights to ~~p~~Program assistance to the new buyer. Assigned grants will require the new buyer to meet ~~carry~~ the same ~~three-year owner-occupancy~~ requirements as the original homeowner had to meet to qualify and receive assistance under the Program and other legally binding terms and conditions that govern the repair and rebuild options. ~~The new owner to whom assistance benefits have been assigned will be eligible only for the repair/rebuild option.~~

Death or Infirmity of Eligible Owner: ~~Some~~In the event that a homeowner ~~s~~ has died since the time of the storms, ~~. In such event,~~ an heir who has ~~must have~~ been placed into legal possession of the property under applicable law will ~~to~~ 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, ~~someone with a legal right to bind that person legally,~~ 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. ~~commitments, the owner-occupancy requirement between the State and the~~

~~homeowner will remain applicable to the property repaired, rebuilt or acquired using program funds. If the homeowner received a soft second loan as the Incentive Loan, a transfer of the property as a result of death or infirmity will not trigger the repayment of the loan by the legal heir, unless some portion of the succession transaction is a cash transaction for a share of 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 ~~p~~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 ~~p~~Program to compensate for remaining losses accordance with the Program requirements.

~~Owners Who Have Started or Completed Repairs: Assistance will be provided to owners who have already commenced or completed home repairs or the construction of replacement homes, so long as all the requirements of the Program are met. Policies will be set for discounting assistance amounts for any grants or below-market interest rate loans from government agencies that may have been received by an owner from for these purposes.~~

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 ~~Manufactured Housing~~Mobile Homes: ~~In order t~~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.

~~To help ensure that Program incentive grants, incentive loans, insurance payments and FEMA household assistance payments provided to homeowners are invested in housing, owners will be encouraged and assisted, and may be required, to open deposit accounts in the owner's name. The Program will work with financial institutions to set up standard terms for managing such accounts and payouts from them.~~

2.8 Homeowner Assistance Centers – Process for Receiving Assistance

Louisiana has initiated a Call Center to allow ~~former eligible~~ homeowners to indicate their interest in ~~returning to their neighborhoods and investing in their homes~~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 ~~now~~ 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. 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 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 ~~to the greatest extent possible~~ 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 that will~~ 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.

~~In order to rebuild, m~~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. ~~Before the amount of program financial compensation can be determined, a~~An owner will have to make decisions on whether to accept compensation for losses, repair their home, replace it on-site, accept a buyout and relocate ~~in the parish or state,~~ 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 ~~will be the “storefronts”~~ where homeowners can apply for assistance and gain access to advisory services. ~~Rebuilding~~ Advisors will provide information that helps a homeowners ~~s accomplish the following:~~

- 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.
-
- ~~Provide information to help homeowners evaluate the four assistance options— repair, replace, relocate or sell—and the amount of financial assistance allowed for each;~~
 - ~~Provide information to owners on how to deal with mortgage issues, or refinance if necessary;~~
 - ~~Provide information to assist owners in selecting professional services providers such as home inspectors, architects, surveyors (for replacement homes) to design and prepare for repairing or replacing homes;~~
 - ~~Provide information to assist owners in selecting repair contractors, homebuilders and manufactured housing companies; and~~

- ~~• Provide information about fair housing rights 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.

~~Through the Solicitation for Offer, Assistance Centers will be directed by the selected management firm and staffed by contracted experts, which may include non-profit organizations specializing in providing advisory services to homeowners. See Section 5 for more details.~~

~~Registrants calling *The Road Home* or logging onto 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.~~

APPENDIX 2

SAMPLE BENEFIT CALCULATIONS

Case 1 – **INSURED RETIRED COUPLE** ~~Insured retired couple~~

An older couple owns a home with a pre-storm value of ~~\$120,000~~153,000. ~~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). They bought the house for \$50,000 in 1970 and had not increased their insurance coverage.~~ After receiving an insurance award of ~~\$540,000~~ and a FEMA assistance grant of \$10,500, they still have \$80,000 in uncompensated loss of pre-storm value ~~17,530 in uninsured damages~~. ~~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:	_____ \$120,000153,000
Estimated Cost to Replace Housing:	_____ \$140,000
Loss to Home: $\$153,000 \times 51\% =$	_____ \$78,030
Insurance:	_____ \$40,00050,000
FEMA Assistance:	_____ \$010,500
Allowance Cost to elevate home to meet FEMA standards ABFE's:	_____ \$3040,000

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
TOTAL ASSISTANCE	_____ = \$110,000

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
TOTAL ASSISTANCE	_____ = \$80,000

~~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	_____ = \$80,000
Uncompensated loss of value	_____
60% of prestorm value	_____ = \$72,000
(Minus other compensation)	_____ - (\$ 40,000)

Pre-storm Value Basis	= \$32,000
<u>TOTAL ASSISTANCE</u>	<u>= \$32,000</u>

Repair or Rebuild

Eligible Road Home Grant Award = \$78,030 – \$50,000 – \$10,500 = \$17,530

Hazard mitigation grant = \$30,000

Summary of Costs / Losses		Summary of benefits	
		Insurance:	\$50,000
		FEMA:	\$10,500
Damage to Home:	\$78,030	Road Home:	\$17,530
Additional Mitigation Costs:	\$30,000	Mitigation:	\$30,000
Total	\$108,030	Total	\$108,030

Note: Homeowners may be eligible for an affordable loan to cover the gap if there is a difference between repair costs and the grant they receive.

Relocate/Buyout

If they want to sell the rights to their home and move somewhere else in Louisiana, the state will pay them up to the amount of their damages, based on the pre-storm value of their home. They also may be eligible for an affordable loan to cover the gap if there is a difference between repair costs and the grant they receive. The grant and loan amounts would be the same as under the “repair/rebuild” model.

Eligible Road Home Grant Award = \$78,030 – \$50,000 – \$10,500 = \$17,530

Summary of Costs / Losses		Summary of benefits	
		Insurance:	\$50,000
		FEMA:	\$10,500
Damage to Home:	\$78,030	Road Home:	\$17,530
		Total	\$78,030

Note: If required, hazard mitigation funds will be available at the new location. Total Road Home assistance, including hazard mitigation funds and loan, cannot exceed \$150,000.

Sell

If they wish to move somewhere outside of Louisiana, the state will buy their home for 60 percent of its pre-storm value or the amount of eligible assistance under the repair/rebuild program, whichever is less.

Seller would receive lesser of:

Pre-storm Value: \$153,000 X 60% = \$91,800

OR

Eligible Road Home Grant under Repair/Rebuild : \$17,530

Summary of Costs / Losses		Summary of benefits	
		Insurance:	\$50,000
		FEMA:	\$10,500
		Road Home:	\$17,530
Pre-storm value of home sold:	\$153,000	Total	\$78,030

~~In this case, the seller who relocates out of state is out the difference of \$153,000 – \$78,030 = \$74,970. The LRA acknowledges that the sell option is generally the least favorable; however, the goal of the Road Home program is to encourage our citizens to revitalize our communities here in Louisiana. A more favorable option financially for the homeowner choosing “Sell” could be to choose to repair to return the property to its original condition, use the assignability option, and then sell the property on the open market to a new resident homeowner that will agree to the covenants of the program.~~

CASE 2 – INSURED FAMILY Case 2—Uninsured single parent

~~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:	= 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	= 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

A single parent who inherited a home with a pre-storm value of \$110,000 had a damage loss of 30%. She was uninsured and did not pay premiums over the years like her neighbors. She received a check from FEMA for \$5,200. What are their options under The Road Home housing plan?

Homeowner Summary

Pre-storm Value: \$110,000
 Loss to Home: \$110,000 x 30% = \$33,000
 Insurance: \$0
 FEMA Assistance: \$5,200
 Cost to elevate home to meet FEMA standards: \$35,000

Repair or Rebuild

Eligible Road Home Grant Award = $(\$33,000 - \$5,200) \times 70\% = \$19,460$
 Note that a 30% penalty applies to those who failed to purchase insurance for their homes. Penalty applies to those without flood insurance in a designated flood plane and those without hazard insurance that were outside the flood plane.

Hazard mitigation grant = \$35,000

Summary of Costs / Losses		Summary of benefits	
Damage to Home:	\$33,000	FEMA:	\$5,200
Additional Mitigation Costs:	\$35,000	Road Home:	\$19,460
Total	\$68,000	Mitigation:	\$35,000
		Total	\$59,660

In this case, there remains an uncompensated gap of \$8,340 due to the homeowner's lack of insurance. The loan program is available to provide capital to fill this gap plus additional repair costs beyond the amount of loss.

Relocate/Buyout

If you want to sell the rights to your home and move somewhere else in Louisiana, the state will pay you up to the amount of your damages, based on the pre-storm value of your home. You also may be eligible for an affordable loan to cover the gap if there is a difference between repair

costs and the grant you receive. The grant and loan amounts would be the same as under the “repair/rebuild” model.

$$\text{Eligible Road Home Grant Award} = (\$33,000 - \$5,200) \times 70\% = \$19,460$$

Summary of Costs / Losses		Summary of benefits	
		FEMA:	\$5,200
		Road Home:	\$19,460
Damage to Home:	\$33,000	Total	\$24,660

If required, hazard mitigation funds will be available at the new location. Total Road Home assistance, including hazard mitigation funds and loan, cannot exceed \$150,000. Generally, for a person with only 30% damage, the relocate option is much less attractive than the repair program.

Sell

If they wish to move somewhere outside of Louisiana, the state will buy their home for 60 percent of its pre-storm value or the amount of eligible assistance under the repair/rebuild program, whichever is less.

Seller would receive lesser of:

$$\text{Pre-storm Value: } \$110,000 \times 60\% = \$66,000$$

OR

$$\text{Eligible Road Home Grant under Repair/Rebuild: } \$19,460$$

Summary of Costs / Losses		Summary of benefits	
		FEMA:	\$5,200
		Road Home:	\$19,460
Pre-storm value of home sold:	\$110,000	Total	\$24,660

~~In this case, the seller who relocates out of state is out the difference of \$110,000 - \$24,660 = \$85,340. The sell program is especially unfavorable to those with only limited damage (in this case 30%). It is unlikely that anyone that has less than severe damage will take this option. The LRA acknowledges that the sell option is generally the least favorable; however, the goal of the Road Home program is to encourage our citizens to revitalize our communities here in Louisiana. The seller could use the assignability option and use the repair/rebuild program to return the property to its original condition, and then sell the property on the open market to a new resident homeowner that will agree to the covenants of the program.~~

CASE 3 – LOWER INCOME, SINGLE PARENT HOUSEHOLD Case 3—Insured family of four

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
TOTAL COMPENSATION GRANT	= \$39,000

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
TOTAL ASSISTANCE (LOAN + GRANT)	= \$59,000

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
TOTAL ASSISTANCE	= \$39,000

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
TOTAL ASSISTANCE (LOAN + GRANT)	= \$59,000

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	
costs or uncompensated loss of value	
60% of prestorm value	= \$30,000
(Minus other compensation)	- (\$11,000)
Pre-storm Value Basis	= \$19,000
TOTAL ASSISTANCE	= \$19,000

A two-income family of four with a home with a pre-storm value of \$250,000 had a damage loss of 70%. They received an insurance payment of \$150,000 and received a check from FEMA for \$5,200. What are their options under The Road Home housing plan?

Homeowner Summary

Pre-storm Value: \$250,000
 Loss to Home: \$250,000 x 70% = \$175,000
 Insurance: \$150,000
 FEMA Assistance: \$5,200
 Cost to elevate home to meet FEMA standards: \$40,000

Repair or Rebuild

Eligible Road Home Grant Award = \$175,000 – \$150,000 – \$5,200 = \$19,800
 Hazard mitigation grant = \$40,000

Summary of Costs / Losses		Summary of benefits	
		Insurance:	\$150,000
		FEMA:	\$5,200
Damage to Home:	\$175,000	Road Home:	\$19,800
Additional Mitigation Costs:	\$40,000	Mitigation:	\$40,000
Total	\$215,000	Total	\$215,000

Note: Homeowners may be eligible for an affordable loan to cover the gap if there is a difference between repair costs and the grant they receive.

Relocate/Buyout

If you want to sell the rights to your home and move somewhere else in Louisiana, the state will pay you up to the amount of your damages, based on the pre-storm value of your home. You also may be eligible for an affordable loan to cover the gap if there is a difference between repair costs and the grant you receive. The grant and loan amounts would be the same as under the “repair/rebuild” model.

Eligible Road Home Grant Award = \$175,000 – \$150,000 – \$5,200 = \$19,800

Summary of Costs / Losses		Summary of benefits	
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		Insurance:	\$150,000
		FEMA:	\$5,200
		Road Home:	\$19,800
Damage to Home:	\$175,000	Total	\$175,000

If required, hazard mitigation funds will be available at the new location. Total *Road Home* assistance, including hazard mitigation funds and loan, cannot exceed \$150,000.

Sell

If they wish to move somewhere outside of Louisiana, the state will buy their home for 60 percent of its pre-storm value or the amount of eligible assistance under the repair/rebuild program, whichever is less.

Seller would receive lesser of:

Pre-storm Value: \$250,000 X 60% = \$150,000

OR

Eligible Road Home Grant under Repair/Rebuild: \$19,800

Summary of Costs / Losses		Summary of benefits	
		Insurance:	\$150,000
		FEMA:	\$5,200
		Road Home:	\$19,800
Pre-storm value of home sold:	\$250,000	Total	\$175,000

In this case, the seller who relocates out of state is out the difference of \$250,000 – \$175,000 = \$75,000. The LRA acknowledges that the sell option is generally the least favorable; however, the goal of the Road Home program is to encourage our citizens to revitalize our communities here in Louisiana. The seller could use the assignability option and use the repair/rebuild program to return the property to its original condition, and then sell the property on the open market to a new resident homeowner that will agree to the covenants of the program.

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