

Statement of the National Association of REALTORS® to the
House Financial Services Committee hearing on
“The Federal Housing Response to Hurricane Katrina”
February 6, 2007

The National Association of REALTORS® commends the Committee for focusing on the federal response to Hurricanes Katrina and Rita. There is much to be learned in the aftermath of these disasters, and we applaud your leadership in renewing this discussion.

One of the most immediate needs for victims of the hurricanes was shelter, and REALTORS® responded to that need. Aside from raising money, REALTORS® quickly mobilized to identify available housing resources in the community and provide assistance to consumers and government entities in finding housing for victims. But REALTORS® commitment didn't end there. NAR entered into a partnership with Habitat for Humanity International (HFHI) to build 54 homes in the Gulf region as part of HFHI's Operation Home Delivery. NAR 2006 President Tom Stevens challenged each of state and territorial REALTOR® associations to each raise \$75,000 for this project. The REALTOR® Relief Foundation agreed to contribute the first \$5,000 for each association. Half of the 54 homes will begin as a Home in a Box, which involves constructing the frame of the home that is then shipped to the Gulf coast where it is completed. The remaining 27 homes will be built from-the-ground-up, in their permanent locations in the Gulf region.

We believe the federal government must implement a standardized, coordinated plan that can become operational immediately in the event of a natural disaster. The Department of Housing and Urban Development has a unique opportunity to help in this effort to provide housing. First, the Department should target their inventory of HUD-owned homes. These houses should be immediately made available for victims.

Second, HUD should utilize the available inventory of Section 8 project-based units, and the Rural Housing Service's 515 rental housing units. The Department should be able to quickly identify these units and make them available. After Katrina and Rita, these units could not be quickly utilized by evacuees because Public Housing Authorities, owners and agents were still required to adhere to all program requirements. These should be temporarily suspended in impacted areas during a natural disaster, to allow victims to find immediate shelter. Most important are the requirements related to initial inspections and income verifications. These requirements are time consuming and may be impossible to meet in the aftermath of a disaster. An automatic temporary waiver of program requirements would avoid programmatic delays and provide housing immediately to those in need.

Third, Housing Authorities have the names of property owners who participate in the Section 8 voucher program. These properties should be immediately contacted to see if units are available for disaster victims. Lastly, HUD should work with the private sector who own and manage rental units nationwide. Rather than turn to makeshift solutions like trailers and cruise ships, the government should focus on housing that is readily available in communities.

The disasters following Hurricanes Katrina and Rita have caused taxpayers millions of dollars. We believe this money would be better spent through the development of a highly coordinated system for prevention and remedial assistance. First, reforms to the National Flood Insurance Program are needed. The NFIP is a unique partnership between our three levels of government. It enables property owners in participating communities to purchase insurance as a protection against flood losses in exchange for State and community floodplain management regulations that reduce future flood damages. As a result, federal expenditures for disaster assistance and flood control are reduced. Although the costs to federal taxpayers associated with Hurricanes Katrina, Rita and Wilma have been very high, without the NFIP they would have been even higher. NAR encourages the Committee to consider NFIP reform legislation as expeditiously as possible.

Congress must insist that the NFIP abide by the changes that were implemented with the passage of “Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004.” This important law targets federal flood mitigation efforts to repetitive-loss properties and increases the flood insurance premiums of such properties whose owners refuse government mitigation offers. The purpose of the law is to improve the financial soundness of the NFIP by shifting more of the burden of recovery costs to property owners who choose to remain vulnerable to repetitive flood damage. The law directed FEMA to develop a pilot program for mitigation of severe repetitive loss properties. Implementing this program will provide dramatic savings to the NFIP. We also believe FEMA must enforce the mandatory purchase requirement under current law. Homeowners with mortgages held by federally-regulated lenders whose homes are located in a special flood hazard area are required to purchase and maintain flood insurance. If a property owner fails to obtain and maintain this coverage, their lender is required to purchase this coverage on their behalf and bill the borrower. FEMA should increase enforcement of this requirement, which would increase premium revenue to the National Flood Insurance Program as well as further reduce the costs of a flood event to the federal government.

Secondly, we urge Congress to ensure adequate funding for FEMA’s map modernization program. This funding will ensure that the project will proceed and ensure that the nation’s flood maps are accurate. Flood maps determine whether a property is located in a floodplain, and thus whether flood insurance is required in order to secure a mortgage. When maps are inaccurate, properties incorrectly included in a floodplain are unnecessarily required to have flood insurance coverage. Flood maps serve a number of other important functions. Flood maps help communities develop flood management strategies, implement more effective land use and building codes, develop disaster preparedness plans, and incorporate disaster planning into regional economic development strategies.

NAR believes that now is the time for Congress to address a comprehensive natural disaster policy that includes natural disaster insurance. The inability to obtain affordable homeowners' insurance is a serious threat to the residential real estate market – and thus, our economy, in several ways. Because homeowners' insurance is a necessary component in securing a federally-related mortgage, an otherwise creditworthy potential homebuyer who cannot obtain the required insurance is priced out of the market. If an existing homeowner is unable to maintain insurance required by a mortgage lender, the mortgage is in default. In lease situations, insurance costs incurred by landlords are ultimately passed along to tenants in the form of higher rents. NAR supports the creation of a federal natural disaster program that will

prevent future disruptions in insurance markets and promote available and affordable homeowners' insurance in disaster-prone areas. Key elements of a comprehensive natural disaster policy include encouraging personal responsibility through insurance and appropriate mitigation measures, recognizing the roles of state and local governments regarding building codes and land use planning decisions, and addressing infrastructure needs.

Thank you for your time and attention to this important issue. We stand ready to work with the Committee to address federal housing, NFIP and natural disaster policy issues.