

**Statement of the National Association of REALTORS®**

**to the**

**Subcommittee on Housing and Community Opportunity  
hearing on**

**“Solving the Affordable Housing Crisis in the  
Gulf Region Post Katrina: Why no progress and  
what are the obstacles to success?”**

**February 22, 2007, 2 p.m.  
Lawless Memorial Chapel, Dillard University,  
New Orleans, LA**

## Introduction

Distinguished Members of the Subcommittee, my name is Mark Rodi. I am the President-Elect of the Louisiana Association of REALTORS®. I am a native of New Orleans, a graduate of the University of New Orleans, a Louisiana REALTOR® since 1976, and have served on the Louisiana Real Estate Commission since 1998. I thank the Subcommittee for the opportunity to testify here today.

The National Association of REALTORS® commends the Subcommittee for holding these field hearings and continuing to focus on the aftermath to Hurricanes Katrina and Rita, and the levee failures. There is much to be learned in the aftermath of these disasters, and we applaud your leadership in pursuing this discussion and identifying solutions that can help mitigate any future catastrophes.

As the winds subsided and the flood waters rose the most immediate need was shelter for the victims. 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. NAR assisted in the development of the internet portal *hurricanehousing.net*. The Louisiana REALTORS® Association worked with FEMA, the Department of Homeland Security and NAR to develop the site, which allowed those with available housing resources to post valuable information and those with housing needs to access the details. However, the REALTOR® 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 state and territorial REALTOR® association to raise \$75,000 for this project. To assist each association in meeting this goal, 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 then shipping it to the Gulf coast where it is completed. The remaining 27 homes are being built from-the-ground-up, in their permanent locations in the Gulf region.

## Federal Housing Response

Immediately in the aftermath of the disasters, FEMA, HUD and Homeland Security struggled to develop a cohesive plan to assist evacuees who had then scattered nationwide. Working with a variety of different housing programs – Section 403 Housing, Section 408 Housing, and the HUD Disaster Voucher Program – officials found that none worked easily together and all had rules and regulations that were ill-equipped to address post-disaster housing needs. The Stafford Act, for example, stated that HUD could only provide housing assistance to those who already had been receiving HUD assistance. Compounding the problem was the fact that FEMA simply didn't have the resources or expertise to house people.

So the private housing industry tried to step in, sometimes with the assistance of state or local governments or charities. These groups found the red-tape and bureaucracy nearly

paralyzing. Victims, housing providers, and often government officials were confused by the different rules that applied to different people. Victims didn't receive assistance they were entitled to, some used monies for food and clothing and medicine and were later told those were ineligible uses; many others simply didn't know where to go for help. The federal government turned to cruise ships, hotels, and trailers in a complicated and ineffective attempt to respond. The end result of the various forms of chaos is the clear need for a coordinated response plan by the federal government to adequately respond to future disasters.

The Department of Housing and Urban Development has a unique opportunity to help in any post-disaster effort to provide housing. HUD should be the primary agency responsible for housing following a disaster. I would note, however, that making this change in statute is simply the first step to developing a disaster plan.

Following Katrina, HUD had responsibility to find housing for those people who were already receiving federal assistance. This included families with a Section 8 voucher, families in project-based Section 8, public housing residents, housing for the elderly and disabled, and more. HUD estimates that approximately 32,000 citizens receiving housing assistance were displaced. HUD has yet to locate nearly 10,000 of these as of today. These numbers do not include the tens of thousands who were not receiving HUD assistance at the time of the disaster, but due to the loss of their homes, businesses, and jobs, may now qualify for assistance under HUD programs.

When a community is declared a national disaster area, we believe that should immediately trigger a variety of waivers and changes in program requirements. Our members own and manage Section 8 and Section 515 rural housing properties across the country, some of which have vacant units. 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 which prohibited or delayed such a use.

In a national disaster area, some program requirements should be temporarily suspended 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. In addition, for those residents who had been receiving project-based assistance, NAR recommends that HUD immediately convert that subsidy to a portable voucher for use wherever the resident has been relocated.

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 all disaster victims – not just those who already were receiving federal assistance. Lastly, HUD should work with the private sector firms that 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.

We believe HUD is the federal agency with the most experience in housing. Therefore, HUD should be provided the responsibility for this area of disaster response. However, changes

need to be made now to allow the agency – and housing providers – to quickly respond to the needs of disaster victims.

### FEMA Response

As someone who held flood insurance, I can tell you that while the program may need reforms, the National Flood Insurance Program works. My house was flooded when the 17<sup>th</sup> & Canal Street levee broke. The first assistance check I received was from the NFIP. It was several months before I received any monies from my homeowner's insurance policy. The NFIP money helped me start to put my life back together. While the program may need changes to make it financially solvent, I urge the Subcommittee to consider changes that ensure the long-term viability of the NFIP.

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." 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.

We further urge Congress to ensure adequate funding for FEMA's map modernization program. 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, people who need flood insurance will believe they do not need it. In addition, 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. We urge Congress to work with FEMA to update these maps as quickly as possible.

I was one of the lucky ones. I was given a FEMA trailer to live in on my property. I lived there from September 2005 until November of 2006. But what about those people who did not own their homes? I know of many people who rented homes and land where a trailer could have gone, but they were not allowed to have one because they didn't own the land.

### Federal Response for Businesses

The Small Business Administration (SBA) has long had a program to help small business owners who have suffered economic losses as the result of a disaster. The SBA's Economic

Injury Disaster Loan Program is designed to help these small firms meet their obligations and to pay its ordinary and necessary operating expenses that now cannot be met as a result of a disaster.

In the aftermath of the disasters, NAR worked with the SBA to revise the eligibility criteria for the program to allow independent contractors, such as real estate agents, to participate. Prior to this rule revision, most real estate agents were disqualified from the loan program simply because the SBA considered agents' affiliations with brokers as being not "free from significant control," which is a critical factor for determining EIDL eligibility. This was despite the fact that real estate agents are not employees of the real estate firms with which they are affiliated and are, in fact, the smallest of small businesses.

The new rule indicates that a state mandated professional affiliation will not, in and of itself, disqualify an Economic Injury Disaster Loan applicant. Additionally, the SBA incorporated many of NAR's recommended factors that Disaster Loan officers could consider in determining eligibility. NAR's regulatory actions were taken to help the thousands of real estate practitioners whose livelihoods have been be impaired by Hurricanes Katrina and Rita, as well as those real estate professionals who may be impacted by future federally-declared disasters. These revisions will enable Realtors<sup>®</sup> to apply for disaster assistance, and use these resources get their businesses back in working order.

Unfortunately I was not one of the ones to benefit from NAR's changes to the eligibility. My office had flooding following Katrina, and then had the roof ripped off by Hurricane Rita. Although I had 15 agents in my office, I was denied a SBA loan. Luckily, RE MAX International helped me make my payroll, purchase equipment, and rebuild my office. Although I had business interruption insurance, I am still negotiating with my insurance company. Unfortunately, many of my agents did not return following the disaster.

### Rebuilding New Orleans

While visiting New Orleans in 2006, Secretary Jackson said, "every family who wants to come home should have the opportunity to come back... HUD's goal is to bring families back to quality housing." To this end, HUD intends to demolish and rebuild much of the city's public housing units. While we would certainly agree that repairs need to be made, and would strongly encourage the building of new federally-assisted units, we must ask where are the families who resided here to go?

We urge HUD and Congress to provide vouchers for all of these families while the public housing units are rebuilt. Furthermore, we encourage HUD to work with the community in the rebuilding of these units. We urge HUD to consider rebuilding across the city, and not putting all the public housing units in one area of New Orleans. Providing scattered sites will help de-concentrate poverty and provide housing across the community.

Giving vouchers to public housing residents will allow some of them to find housing, but affordable housing is difficult to find in New Orleans today. According to HUD, 13 percent of

the damaged rental stock in the Gulf Region was subsidized housing. Although mostly unsubsidized, 75 percent of the damaged stock was occupied by low-income households.

There is a significant need for affordable housing, and without governmental intervention, it will be very difficult to build. Construction costs have skyrocketed in the region, and the lack of housing impacts all sections of the local economy, including construction. Without affordable housing, construction workers need to be paid more, further increasing the cost of reconstruction. The need for significant amounts of capital to construct new housing is acute.

One way to provide an incentive for construction or rehabilitation of housing would be to enact some version of H.R. 1549, a bipartisan bill of the 109<sup>th</sup> Congress, which would provide a tax credit for up to 50% of the cost of constructing or rehabilitating affordable housing. This mechanism or similar incentive would be an important aid to generate capital for restoring housing to decimated communities. A large majority of this Subcommittee's members sponsored that legislation in the previous Congresses. A substantial bipartisan majority of Ways and Means Subcommittee members have also sponsored the bill. While outside the purview of this Subcommittee, we urge Congress to seriously consider this legislation.

### Insurance

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. The lack of affordable insurance makes housing unaffordable. 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. We strongly urge the Subcommittee to pursue a federal disaster program.

### Conclusion

Members of the Subcommittee, thank you again for the opportunity to testify today. The Hurricanes and flooding experienced by residents of the Gulf region were unprecedented in our country. However, we do not believe these will be an anomaly. We believe the federal government needs to be prepared to handle similar disasters in the future. A coordinated housing

response, federal insurance programs for flood and disasters, and plans for rebuilding communities are needed to protect our citizens, our communities, and our economy.

We thank you for your attention to these important issues, and the National Association of REALTORS® stands ready to work with you on these important goals.