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HOUSING OPTIONS IN THE AFTERMATH OF HURRICANES KATRINA AND RITA

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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HOUSING OPTIONS IN THE AFTERMATH OF HURRICANES KATRINA AND RITA

Wednesday, December 14, 2005

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:20 p.m., in room 2128, Rayburn House Office Building, Hon. Robert W. Ney [chairman of the subcommittee] presiding.

Present: Representatives Ney, Waters, Velazquez, Lee, Scott, Frank (ex officio), Davis of Alabama, and Cleaver.

Also present: Representative Watt.

Chairman NEY. The House subcommittee meets this afternoon to continue its discussion of the Federal Government's response to the emergency housing needs of residents affected by the hurricanes, by Katrina and Rita.

Last week this subcommittee heard from FEMA regarding its efforts to provide housing assistance to the hurricane evacuees. Today we are pleased to have two witnesses from HUD who are testifying, FHA Commissioner Brian Montgomery, and Assistant Secretary for Public and Indian Housing, Orlando J. Cabrera.

Along the Louisiana and Alabama and Mississippi Gulf Coast, of course, there is a Herculean task of coordinating the relocation of thousands of individuals. In order to save time, I am going to just stop with that. I will entertain, of course, opening statements, but a lot of the statements that I would be making today are statements about Katrina that we made last week, and I am, of course, curious to hear from the witnesses today.

With that, I am going to yield to our ranking member.

Ms. WATERS. Thank you very much, Mr. Chairman. I appreciate you taking the time to come back this week to hold this hearing. And the reason that we are doing it is because HUD did not have a representative at the meeting that was called where we thought we would be talking with FEMA and HUD at the same time. So I am delighted that you are here today. I am hopeful that you can help us to shed some light on a few things. You are probably as much in the dark as we are about some of the activities that FEMA is responsible for.

As you know, this is the Subcommittee on Housing of the Financial Services Committee, and we are concerned about a lot of things, but we are concerned about housing. I am particularly concerned that we sat in this committee, we sat in roundtable discus-

sions that were organized by the chairman, and we sat on several occasions talking about shelters and temporary housing. We talked about trailers early on and manufactured housing. We talked about the need that we were going to have to house the victims of Katrina and Rita, and we never, we never thought that we would be at this point and have FEMA announcing that the support for the victims and their rental assistance would be running out, as they first announced, in December, and that now it has been extended by the court until February 7th. But February 7th is right around the corner, and we have thousands of victims who are going to be without housing unless we can make sense out of all of this.

I don't know why we don't have the temporary housing. I don't know why we don't have the temporary housing that we thought we would have. It is very disturbing, and it is very disturbing to watch on television the description of this lack of housing and people saying that they have offered space to FEMA for the temporary homes; that the mayors are saying they have cooperated in every way that they can do. And while you don't have a responsibility for this, or maybe you do have some responsibility somewhere; if you do, I would like you to tell us what it is. If you don't, I would like for you to tell us that, and I would like for you to tell us whether or not you have any ideas about how we could move this along, whether you know something about whether or not the manufacturing can be speeded up, whether or not there are some problems with locating the space, whether or not there are some problems with cooperation from local elected officials. If you have any insight into this, we would like you to share that with us.

Beyond that, if we can get people in temporary housing and out of these shelters and out of the hotels; they are going to have to have permanent homes. That is where HUD can play a role. How and what is HUD going to do to help build low- and moderate-income housing for the many victims of Katrina and Rita?

So that is where we are today. We are trying to find out what role can HUD play. I would also like to know whether or not HUD had offered to the Administration to play a role that could have been helpful that maybe was not agreed upon. It seems to me that you are kind of bystanders, watching what is going on, when maybe there is something else that you could be doing to help get these people into temporary housing.

With that, I yield back the balance of my time, Mr. Chairman. Thank you.

Chairman NEY. The gentleman from Massachusetts, the ranking member of the committee.

Mr. FRANK. Thank you, Mr. Chairman, and thank you for your efforts to make sure that we have had this hearing.

I don't want to get involved in recrimination. I will say I think it would have been better if we had had FEMA and HUD together because they have been working together. And I have to say, given the need for them to work together in this, the notion that they couldn't sit next to each other and testify is somewhat troubling. I would think sitting next to each other and testifying would be easier to coordinate than dealing with actually housing people. But at least you are here, and let us focus on that.

I want to say here I do believe I have only one major concern with regard to the short-term situation, because this has obviously been FEMA's responsibility primarily. I do appreciate—I have a copy of a letter from Assistant Secretary Nesmith dated November 29th. We received it on the 8th. One of the things that I think has now been cleared up is that in the immediate aftermath, HUD did suggest with varying degrees of emphasis to some housing authorities that they take Katrina evacuees and put them ahead of people on the Section 8 waiting list. Many of us thought that a poor idea because there was money voted for the Katrina evacuees, and we already have the problem of the waiting list.

I appreciate the fact, if I understand it now, that it is no longer the policy. There was—as the letter said, there had been some suggestions about that on the website; they have been removed, and it is now clear going forward housing authorities are under no pressure from the Federal Government or from HUD to put evacuees ahead of people on the waiting list. This does not mean evacuees don't get help, it means they get it out of another pot.

But we did have situations where HUD-funded Section 8 vouchers were made available by some housing authorities, in part because they thought HUD wanted them to do that. And what I had asked was that they be reimbursed for this. We already have a tight Section 8 situation. And I would just quote Mr. Nesmith's letter. It says, "Your suggestion that the Department ask FEMA to reimburse PHA's for the cost of providing housing choice vouchers to families that were not HUD-assisted will be taken under consideration." In other words, where the families were previously HUD-assisted, I know they were taken care of by the program, the KDHAP program, but there were some people who were not. And I appreciate that it is being taken under consideration. It really does seem to me that you ought to be asking FEMA for that reimbursement. There is a large pot of money there. I don't think anybody wants to pit evacuees against worthy people in various cities. So I think that is a very high priority.

The second issue I want to raise and I hope we can address in the questions, and I know your written testimony, understandably, Secretary Montgomery, does deal with the emergency, but while FEMA had the primary role in the emergency, it is up to HUD to help make sure that New Orleans can be repopulated with some of the people who used to live there. We need to be very clear. Lower-income people in New Orleans, many of whom whatever they had was somewhat wiped out, they will not be able to come back to New Orleans unless the Federal Government steps up and provides significant funding through programs.

That is really I think what we need to start focusing on now. We need to focus on the need to make sure that the result of this hurricane is not, frankly, a richer, whiter New Orleans. That is not what we ought to tolerate morally as a country. I know there has been debate about, well, what was the situation; was it racial or not? Let us set up this one standard. If, as a consequence of this and the failure of public policy, we wind up with a richer, whiter New Orleans, it will be because lower-income people, not all of whom, but many of whom, will be African Americans, were finan-

cially unable to move back in, and if that is the case, shame on us as a Nation.

It is going to be HUD that has the burden of working on that with us. So we are available to you to deal with that. We have already begun on this side. Frankly, we have expressed some agreement with the Governor of Mississippi, Governor Barbour, in terms of the funding he wants. We will be having a markup tomorrow, I am pleased to say, on the bill that the gentleman from Louisiana from this committee, Mr. Baker, has put in. He has worked, and we have worked; the gentleman from North Carolina Mr. Watt, the head of the Congressional Black Caucus, we have had negotiations. We will be producing a bill that I think begins the process, because we can only authorize, we cannot appropriate, of providing the basis for the poorest and hardest-hit victims of Katrina that will at least be able to move back home. I hope you will begin to address that, and you will certainly have our cooperation if you do, and a big fight if you don't.

Mr. Chairman, again, thank you for making sure that we were able to have this hearing under these circumstances.

Chairman NEY. The gentlewoman from New York, Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Thank you, Mr. Montgomery and Mr. Cabrera, for attending today's hearing. We hope that today you will be able to provide some clarity and explain how HUD has responded to the devastating hurricanes. As I stated last week, the hurricanes were an unprecedented disaster, and, for that reason, they deserve an unprecedented response. However, thus far we have not seen much more than ineffective and inefficient solutions. Red tape and misinformation face victims at every turn. And, despite a tried and true option being available in the form of apartment rentals and Section 8 vouchers, the Administration moved forward with expensive cruise ships, trailers, and a soon-to-expire hotel program. Three months later announcements continue to be revised, extended, and canceled. Displaced families read one thing in the papers, hear another from FEMA advisors, and yet another from HUD counselors. The right hand is not talking to the left, and something must change.

I also am interested in the steps HUD will be taking to alleviate the horrendous health hazards that exist in the hurricane region, especially since it appears that each agency is passing the responsibility for providing mold remediation assistance. Mold has infested many homes, and removing it is neither an easy nor inexpensive task. And for voucher holders, we must ensure that their homes are clean and healthy when they return.

Mr. Chairman, displaced families are tired. They are tired of waiting for trailers, they are tired of receiving contradictory information or no information at all, and they are tired of hearing that the check is in the mail. These families need more from our government, and they deserve more from our government. I look forward to hearing from our witnesses as to how HUD will be providing this assistance. Thank you, Mr. Chairman.

Chairman NEY. Thank you. The gentlewoman from California, Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman. I, too, want to thank you and Ranking Member Waters for convening this hearing and welcome both of our witnesses.

Let me say a couple of things with regard to just first the coordination between FEMA and HUD. I think after the hearing last week, I became quite concerned, given the way that FEMA passed the buck to HUD, just really what type of communication and coordination is there. If, in fact, it was that loose here and that confusing, I can't imagine what people who are needing your assistance are going through. So this kind of coordination, I think, is very important, and I would like to hear a little bit about that.

Secondly, I would like to know exactly, and I asked the FEMA representatives this also, with regard to the homeless, because, you know, I understand the regulations and laws that govern programs for the homeless, but I need a clear understanding about what happened to those people and what will happen to those people who are homeless in the Gulf region and still remain homeless, and what you are doing to help make sure they are provided with decent housing now and not—because from FEMA's—from what I remember of FEMA's response was that, well, they were homeless then; there is probably not much of anything we can do. I just think that is downright shameful. So I would like to know what is going on on your front with regard to the homeless.

Also, it has been reported that Katrina and Rita evacuees have faced considerable discrimination in their efforts to find rental housing and flexible leasing. Of course, the Congressional Black Caucus has, I think, the best Katrina response legislation, and in that bill we put in some requirements for enforcement of housing discrimination. I wanted to see what kind of—what are you doing right now and what actions are being undertaken to make sure that these individuals are not discriminated against nor gouged really as a result of landlords seeing an opportunity now.

Finally, let me just say, I think long term, I think in terms of how HUD proceeds, temporary housing, yes, immediately; but also long term, the equitable distribution of housing resources and housing counseling to prevent future pockets of poverty, and just how you are going to address the long-term economic and community development needs to help use HUD resources now to begin to alleviate the critical numbers in terms of poverty rates that we have in the Gulf region.

With that, I yield the balance of my time and just thank you again for being here.

Chairman NEY. Thank you. Mr. Davis, from Alabama.

Mr. DAVIS OF ALABAMA. Thank you, Mr. Chairman. I want to be brief so that we can quickly get to questions, but I want to make two observations. The first one, I remember in the early days after Katrina when we first came back here after the August recess, there was a lot of hope on this committee that HUD would take very seriously the problem of people defaulting on their mortgages, not being able to pay their mortgages. I don't want us to leave this hearing without the record being clear that two members of this committee were stalwarts on this issue, Mr. Watt from North Carolina, and Ms. Waters from California. Frankly, their efforts were seen as quixotic by some. There was a mindset that, well, that is

just not something that we are going to get out of this Administration, or something that we are going to get out of this committee.

I will give your HUD department some credit. While it has certainly not taken on the comprehensive problem of mortgage defaults, you have at least addressed it in the context of the FHA. But I want to make sure the record is very clear that the two people who were most aggressive in raising this issue were the gentleman from North Carolina and the gentlewoman from California.

The final point that I want to make, I almost hate to raise this point, but this is the fourth hearing in a row that we have had on Katrina-related issues where there has been a very conspicuous tilt when you look at who attends these hearings. Frankly, I wish I could just say it was Democrats and not Republicans, but if you look around the dais, it is actually even starker than that. I don't know how clearly I can make this point. Katrina is not a black folks issue. It is not an issue that somehow the black members of this committee have a special interest in and no one else cares about.

I haven't seen a racial breakdown of how many evacuees are African American, how many are Latino, how many are Caucasian, and I could care less, and I don't think anybody on this committee could care less. I just wish that we understood, as we talk about these issues, this is not a special interest case or a special pleading case, and, frankly, I wish more of our colleagues on both sides of the aisle would take the time to attend these hearings.

Chairman NEY. Mr. Scott of Georgia.

Mr. SCOTT. Thank you very much, Mr. Chairman. Thank you for coming. It is good to see representatives from HUD here, finally, at last. It is still unfortunate that your leader Mr. Alphonso Jackson is not here. That, to me, typifies the level of concern that this Administration has for this issue. It shows blatantly that for this kind of catastrophe where the number one issue for these evacuees is trying to get a roof over their heads, housing, and you don't even have the Secretary of HUD coming to this committee for the second time. I hope somebody somewhere remembers that and marks that.

This is the hill that this committee has to climb. Not only that, but as my colleague Mr. Davis so eloquently spoke, that it is left to a few. But just as the disciple said and the Lord said, where there are few gathered, the Lord is there with us. I am convinced that the Lord is with us here as we go forward.

But it is very, very interesting that in last week's Congressional Quarterly, and I don't know if you all saw this or not, but when FEMA was here and we were running around trying to figure out why HUD wasn't here, there was an interesting quote in the Congressional Quarterly that I hope you will go back and see, because it says that, the HUD spokesman said that they, HUD, did not want to be seen sitting side-by-side with FEMA. That is astounding, given the magnitude, just for any reason, but given the magnitude of the hurt and the pain that this Nation is going through right now, the two primary agencies that should be seen working together are FEMA and HUD.

I am particularly vexed about this because my State of Georgia is the third State in terms of the number of evacuees that we are housing from Mississippi and from Alabama, and I am consistently

perplexed by this. But there are a number of issues and there are a number of questions that the people in Georgia want to hear answered today.

One of the major concerns is that this is not enough, and there is no long-term plan at all. The amount of money that is being given to the evacuees is not enough to cover even their short-term needs.

So I yield back the balance of my time, Mr. Chairman, and I will reserve the balance of my time to ask questions.

Chairman NEY. I do want to caution everybody, around 2:45, 2:50, probably, there is going to be a vote.

Mr. Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman. I will reserve my questions that I would like an answer to until later, but this is a rhetorical question: Is the failure to show up a request to give up?

Chairman NEY. Thank you. Mr. Watt.

Mr. WATT. Mr. Chairman, I pass. I just came because I was interested in hearing the witnesses' testimony.

Chairman NEY. Thank you.

Mr. FRANK. Mr. Chairman, parliamentary inquiry. Is it permissible for a Member to come to a hearing because he wants to hear testimony? That is unusual.

Chairman NEY. With that, without objection, the statement from the National Housing Coalition is included for the record, and also we will note Mr. Watt, who has great interest in the hearings.

We will go ahead and start with Brian Montgomery and Orlando Cabrera.

Mr. Montgomery.

STATEMENT OF BRIAN D. MONTGOMERY, ASSISTANT SECRETARY FOR HOUSING/FEDERAL HOUSING COMMISSIONER, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; ACCOMPANIED BY ORLANDO J. CABRERA, ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. MONTGOMERY. Thank you, Mr. Chairman.

Mr. FRANK. Mr. Montgomery, you have overestimated the eyesight of the Members.

Mr. MONTGOMERY. Apologies, sir.

Mr. Chairman, Ranking Member Waters, Ranking Member Frank, distinguished members of the committee, I am Brian Montgomery, HUD's Assistant Secretary for Housing and Federal Housing Commissioner.

I do want to also offer that we regret any miscommunication last week. Speaking for my colleague to my left and myself, we were—it is our understanding we were going to appear this week, and, again, if there was any miscommunication on that part, we regret that it happened. The important thing is, sir, that we are here today.

I also would request that our written statement, Mr. Chairman, be entered into the record.

Chairman NEY. Without objection.

Mr. MONTGOMERY. Thank you, sir.

Today we will discuss what HUD, at the direction of the Federal Emergency Management Agency, has done in the effort to help people recover and rebuild from the devastation caused by Hurricanes Katrina, Rita, and Wilma, and what we are doing to provide housing for so many people with unprecedented challenges before them.

As it became apparent that the first of these major storms was going to make landfall, Secretary Jackson directed the establishment of a HUD working group to coordinate all agency resources that might be utilized. Known as the Hurricane Response and Recovery Center, or HRRC for short, this emergency center served as a command post for HUD-related efforts and was staffed with housing professionals from every program office at HUD.

I would also like to add, Mr. Chairman, that while many other Cabinet agencies have 24-hour command posts, this was certainly new territory for HUD, and I certainly want to commend my HUD colleagues for their efforts. So many of them worked 40, 50, 60 days straight manning that Response and Recovery Center.

A couple of months later, as we moved forward in the recovery and rebuilding stage, the Secretary and Deputy Secretary established HUD's Assistance and Recovery Team, known as HART. This team is now coordinating all HUD deployment with FEMA, ensuring that program offices are fulfilling their mission, as well as coordinating policy decisions.

HUD has been working closely with FEMA to get housing assistance to those who have been displaced and those who have been uprooted by these hurricanes. This partnership with FEMA and, I might add, along with our colleagues at agriculture, VA, HHS, and others, demonstrates our dedication to providing housing assistance.

I think some of the best examples of these partnerships are the Katrina Disaster Housing Assistance Program that my colleague will discuss later; also, programs that provide multiple types of temporary Federal housing. Another example is the Joint Housing Solution Center that was stood up within days of the hurricane, in Baton Rouge, which HUD played a role in that, as well as the numerous times that we have joined with other Department staff to brief staff and Members of Congress, including members of this committee, as well as Senate staff.

The program offices at HUD have aided in the recovery process as well and have played a large part in that, and, Mr. Chairman, I would like to summarize those quickly.

HUD's Office of Community Planning and Development, for example, has issued waivers of more than 40 requirements for the States of Louisiana, Mississippi, and Alabama, in an effort to increase the flexibility of our existing grant programs to be used within their current resources for disaster relief. For example, CPD issued a series of waivers in the HOME program that included self-certification of income, elimination of the match requirement, and greater flexibility in the use of HOME and American Dream Downpayment Initiative funds to help low-income families receive tenant-based rental assistance and to rehabilitate and to buy homes.

Beyond these efforts with the HOME program, we have issued a series of waivers for the Community Development Block Grant program, the Emergency Shelter Grants program, and the HOPWA

program as well. The Office of Housing took the lead in providing the first 90-day foreclosure relief for Presidentially declared major disaster areas impacted by Hurricanes Katrina, Rita, and, finally, Wilma. On November 22nd, Secretary Jackson and I extended the foreclosure moratorium in those counties declared eligible for individual assistance. That additional 90 days will go through February 28, 2006. The extended foreclosure relief will provide mortgagees additional time in which to confirm the mortgagor's intention and ability to repair their homes or their ability to resume regular mortgage payments, all in an effort to help retain homeownership.

Now, to that end, earlier this month the Department announced an additional homeownership retention initiative to help homeowners with FHA-insured mortgages who live or work in the Presidentially declared counties. Under this initiative, known as the Mortgage Assistance Initiative, FHA will advance mortgage payments for up to 12 months for eligible borrowers who are committed to continue occupancy of their homes as their principal residence, and are expected to have the financial capacity to repair storm damage and resume making full mortgage payments at some point within a 12-month period.

This unprecedented, and I want to stress unprecedented, mortgage relief program is expected to help up to 20,000 families and perhaps more that were seriously impacted by the hurricanes. We are doing this in an effort to help retain homeownership so these families can also concentrate on repairing their homes or on finding jobs. I want to stress, Mr. Chairman, that it was very important to us to not have families have to worry about those bills, and I am, again, very proud of the effort of our staff at HUD for putting forward this unprecedented initiative.

In addition, Secretary Jackson and I have personally encouraged lenders to undertake actions such as mortgage modification, refinancing, and waiver of late charges for those in the hurricane disaster areas and to also refrain from reporting derogatory credit information to credit bureaus.

The Office of Public and Indian Housing has issued guidance to the Nation's more than 3,000 public housing authorities on how to assist displaced public housing residents. For example, HUD's guidance and Q and A's for PHA's and public housing residents are located on HUD's website. This document, titled Guidance for Public Housing Agencies in Assisting Families Displaced by Hurricane Katrina, has also been distributed to all PHA's, to all HUD field office directors, and to HUD's field policy and management staff.

The KDHAP initiative that I referenced earlier is providing housing vouchers for evacuee households that were previously receiving public housing assistance and to evacuees who were homeless prior to the hurricane. The details of that program include that individuals and households must register with FEMA and be determined ineligible for FEMA assistance. FEMA will transfer appropriate registrant qualification data and authorized Stafford Act funds to HUD for this program.

Displaced families, including former HUD-assisted evacuees who do not qualify for other assistance such as FEMA IHP grants or homeowners insurance, can qualify for HUD's KDHAP program. Housing assistance will be administered through the established

network of local PHA's located across the country. Eligible individuals and households may contact local housing authorities nationwide to participate in this program. Participants will receive housing vouchers that can be redeemed for both public and private housing units in any community at the discretion of the participant. Vouchers will be calculated at 100 percent of the fair market rent in any community that an evacuee selects.

Eligible evacuees may receive rental assistance payments for up to 18 months. Finally, the effective date for this program was September 26th of this year.

Also, HUD's Center for Faith-Based and Community Initiatives has been an active participant with the rest of the Department in responding to the hurricane. The center participated in the Department's post-Katrina hurricane meetings and continues its contribution as a member of the HART team. The Center has also contacted thousands of faith-based and community organizations to recruit their engagement in the Department's KDHAP enrollment efforts.

Mr. Chairman, ranking members, we thank you for the opportunity to appear today to present HUD's testimony. My fellow HUD colleagues and I will respond to any questions you may have.

[The prepared statement of Mr. Montgomery can be found on page 36 of the appendix.]

Chairman NEY. Thank you. As I understand it, Mr. Cabrera does not have a prepared statement, but is here to answer questions. I want to thank you for your time.

On page 2 of the testimony, you indicate that HUD identified 20,000 units of multifamily housing that were made available to displaced families through FEMA starting in September of 2005. Can you just elaborate a little bit on what types of housing you identified in terms of public housing units, project Section 8-based, or what?

Mr. CABRERA. I think HUD's efforts with respect to locating units was very broad. So finding what the inventory was amongst the public housing stock was an issue of simply communicating with public housing authorities. But it didn't stop there. There was a broad, industrywide effort to find units for folks to move into, and that included the stakeholder, the private sector element, which meant apartments and companies that owned multifamily assets.

But on top of that, housing finance agencies were contacted and, frankly, the full gamut of anybody having an available unit. This even included, in many cases, people who owned single-family homes that happened to be vacant. I know of at least a couple of incidences of that.

Chairman NEY. Just to follow up for a second, of the 20,000 that were open, whether it was a unit or multifamily, or whatever it was, how many of the FEMA evacuees went into there, 20,000-some people, or do you know?

Mr. MONTGOMERY. Mr. Chairman, we can give you an exact number, but I daresay probably the vast majority of those were occupied by evacuees.

Chairman NEY. And you were going to say something else?

Mr. MONTGOMERY. I was just going to also add, sir, that again, HUD worked diligently with our career staff and others to identify

these units. We knew early on that this was an unprecedented disaster, and we also worked with the Department of the Treasury to get the income waiver guidelines for tax credit properties. We knew that the market for the affordable housing in parts of the south was very soft, and there were thousands of vacant units, so it was critical that we worked with Treasury to get that waiver early on, as well as making sure that the vouchers for victims who were displaced, that those could be ported to other locales.

Chairman NEY. Some of the people previously had HUD Section 8, but there is also a whole new group of people who are brand-new now into the system who lost what they owned, so they are new. I imagine that some emergency vouchers probably applied to them, correct, to the new people?

Mr. CABRERA. Currently the partnership we have with FEMA under their duties pursuant to the Stafford Act are to deal mostly with those folks who are in that universe of tenants who were receiving a Federal subsidy under public housing or Section 8, but does not include those who were not.

Chairman NEY. So what happens with individuals who were on the waiting list down there, let's say, for a voucher, a waiting list, and then you have to take care of people who had the vouchers. Some people have been displaced to other areas of the country, so did a voucher follow?

And then the other question I would have is, then who will pay for this as new people come on to the Section 8? Who pays for that? Does that come out of HUD? Has that been talked about yet? Or does it come out of FEMA?

Mr. CABRERA. Well, currently no one new is coming on to Section 8 vouchers. But coming back, Mr. Chairman, to the first question you asked, which was the issue of the waiting lists, it has been a long-standing policy in many PHA's, PHA's have this within their own policy, that preference be given to people who are victims of disasters. That is nothing new, and that is something that PHA's can opt to do or not.

Chairman NEY. Well, that is what I am wondering, and my time is running out, and I want to get on to the other Members, but I may come back to this if we all get through questions. But who pays for that at the end of the day, if someone needs help, and then they come up to Ohio and they get the voucher, and then somebody up there is on the waiting list? Are we going to count at the end of the day how much money we need to take care of the people who were also on the waiting list and obviously take care of the evacuees, too?

Mr. CABRERA. Only momentarily taking off my HUD hat and not speaking for FEMA, and putting on my prior hat, my experience is that FEMA is currently paying for that. That is the housing piece of FEMA assistance, and those folks are still covered under the housing allocation that FEMA is providing.

Chairman NEY. The gentleman from Massachusetts, Mr. Frank.

Mr. FRANK. Thank you.

Let me go back to the issue I mentioned where we had a period where HUD had encouraged people, and it was on the website, housing authorities, to give priority to evacuees. The letter I got dated November 29th said you were thinking about asking FEMA

to reimburse. FEMA has large amounts of unpaid money. What is the current status of your thinking on asking FEMA for a reimbursement to those housing authorities? Because we have a tightness in Section 8. Is there any further thinking on that?

Mr. CABRERA. On the first issue, as I recall, the only thing that we were trying to clarify was that those who did not have a stated policy already on dealing with the waiting list issue, that they had the flexibility now to deal with it the way that other PHA's already had. So they can make that decision. We were providing them autonomy to make that decision.

Mr. FRANK. I will tell you that somehow the authorities felt some pressure to do that.

Mr. CABRERA. Okay.

Mr. FRANK. And I would think that whether they did it autonomously or not, we have a shortage of Section 8 in some cities where there are waiting lists. We have at this point some extra FEMA money. I would think that HUD would be interested in facilitating that transfer to help it out. Is there any reason or public policy not to?

Mr. CABRERA. Not to do what, Congressman?

Mr. FRANK. To reimburse those housing authorities that use scarce Section 8's where they had waiting lists for evacuees.

Mr. CABRERA. Congressman, that is a conversation I have not yet had, but I am happy to inquire.

Mr. FRANK. I hope you do that.

One other question, and this is a FEMA decision, but I would hope you would have some input here. Several cities have been willing, I think quite admirably, to be intermediaries. We are talking about people who were displaced, people who did not have a lot of experience with travel and did not have a lot of resources, and they are being told to go out and find a 3-month rental. I know the City of Houston was pretty active, the City of Atlanta, and at some point FEMA told the cities that it would no longer allow them to be the intermediaries, that they could not sign the leases and be reimbursed by FEMA, that the individuals had to sign the leases directly. That just seems to me to be a very bad idea. We are talking about some people who are literally bereft. Would it not be a good idea if the cities were willing to undertake that, to encourage them to continue to do it?

Mr. CABRERA. Congressman, truthfully, I can't speak to that issue. It sounds like—I am not trying to punt.

Mr. FRANK. It is a FEMA issue, but do you want me to give you FEMA's phone number? I mean, I have it.

Mr. CABRERA. Yes, I have it, too.

Mr. FRANK. You are the Housing Department. You have housing expertise. We have counseling. How about being a little bit energetic and proactive and maybe picking up the phone? I am asking you in the advice—you guys are used to dealing with housing more so than FEMA. We are not talking now about providing a physical short-term emergency, but getting people long-term housing. Wouldn't it be a good idea to get the cities involved, and couldn't you help FEMA understand that?

Mr. CABRERA. I think that the cities that you have mentioned, mostly Houston and Dallas, have both noted that they had their

own challenges in trying to accommodate a whole lot of folks, and I think what FEMA was trying to make sure of is that if people wound up in living arrangements that somehow they could finalize in the form of a lease, that they could do that as swiftly and as easily as possible on their own with these leases. But I don't believe that either Houston or Dallas were acting as housing locator services.

Mr. FRANK. I am trying to be calm about this. Why are you trying to put a gloss on this? You are putting words in people's mouths who don't put them there themselves. The Mayor of Houston has complained about this. They were willing; in fact, they signed the leases, because you have people who have no resources, they have nothing. They were told, well, we will give a 3-month deal. The cities were willing to put themselves out, and they have been told they can't do it. It is not at all what you described.

I am really disappointed that you would start creating some rationale for a bad policy rather than trying to be helpful. I am serious. I am disappointed. That is not what the cities themselves tell us. They are willing to be the intermediaries. Why, if the cities are willing to be the intermediaries and get the reimbursement, is that not a better idea than leaving all of these people to fend for themselves?

Mr. CABRERA. Congressman, far be it for me to disappoint you. That is not what I am trying to do. What I am trying to do is explain to you the logistical—

Mr. FRANK. I asked you a question. Why is it not a good idea to have the cities, if they are willing to do this, to be intermediaries for these people?

Mr. CABRERA. Congressman, that is not an issue that we are handling here. That is what I am trying to explain it to you.

Mr. FRANK. I am sorry we don't have a bowl for you to wash your hands in, Mr. Assistant Secretary. I am very disappointed. I know you were not dealing with that. I said it was FEMA. I was asking why you wouldn't use your expertise in the housing area to suggest to them that maybe this is something they ought to do.

Let me ask you, Mr. Montgomery, where are we on planning for affordable housing on a permanent basis? What is the status of that?

Mr. MONTGOMERY. Congressman, are you referring to the long-term redevelopment?

Mr. FRANK. I am referring to the possibility of poor people who were driven out and lost their homes being able to return to live in the city.

Mr. MONTGOMERY. Thank you very much, sir, for that question. One of the key things that we, speaking for FHA, sir, determined early on, to reference my previous point, was we could—we saw, we heard the concerns from many families who, through no fault of their own, had been uprooted and moved—

Chairman NEY. The gentleman's time has expired. You can summarize, and then we can come back for a second round.

Mr. FRANK. No, my patience has expired along with the time.

Chairman NEY. Okay. Mr. Davis.

Mr. DAVIS OF ALABAMA. Thank you, Mr. Chairman.

Mr. Montgomery, let me ask you a little bit again about the homeownership or the home default initiative that has been lodged related to FHA payments. What percentage of the national mortgage market is FHA-backed?

Mr. MONTGOMERY. Currently, Congressman, our market share, our current market share, is about 4 percent of all loans out there.

Mr. DAVIS OF ALABAMA. Now, with respect to Louisiana and Mississippi, is there any reason to think that the number is substantially greater than that 4 percent?

Mr. MONTGOMERY. Congressman, I can't give you an exact figure, but, yes, it would be.

Mr. DAVIS OF ALABAMA. Well, what is your basis for thinking that it is significantly greater in Louisiana and Mississippi than it would be in the rest of the country, and how much greater do you think it is?

Mr. MONTGOMERY. Primarily due to the housing prices, sir, where because of the loan limits, it is difficult for FHA to compete, if you will, in markets such as up here in Washington, D.C., or on the west coast. Where housing prices are much more affordable, sir, the FHA has been a very good product for many low-income people.

Mr. DAVIS OF ALABAMA. It is as high as 15 percent in Louisiana and Mississippi, the FHA share of the market?

Mr. MONTGOMERY. Again, Congressman, if I could get you an exact figure?

Mr. DAVIS OF ALABAMA. Okay. The reason for my asking is that despite what I think is a good program, there clearly are a lot of mortgagees who are facing defaults who are not affected by HUD's efforts, and I wanted to ask, is there any particular good public policy reason for not launching some kind of initiative to reach the large number of families who don't have FHA-backed mortgages?

Mr. MONTGOMERY. Congressman, we have asked ourselves that same question many times within HUD. I, as the FHA Commissioner, can only speak for FHA. As much as I would like to, given the parameters of what FHA can and can't do, I just don't see right now how, without some legislative authority, we could reach the conventional market, if you will.

Mr. DAVIS OF ALABAMA. Would HUD look favorably on Congress providing legislative authority to reach beyond the FHA market, either one of you?

Mr. MONTGOMERY. Yes, yes, Congressman.

Mr. DAVIS OF ALABAMA. And I assume, Mr. Cabrera, you would share that?

Mr. CABRERA. I would, but it is his world.

Mr. DAVIS OF ALABAMA. Well, it is all of our world. We all live in it together.

Mr. CABRERA. In my case, and to the extent that it actually affects Indian housing, the answer is yes.

Mr. DAVIS OF ALABAMA. I agree with you, and I think a lot of the members on the committee would agree with you, that if we are serious about addressing the housing problem, I think you are right, that there is probably a greater FHA share of the mortgage in this these relatively low-income, southern States than in the

country, but it is still a very small share of the market, I would suspect.

The second thing I wanted to ask you about is the Homesteading Initiative, which, again, has positive elements to it, but as I understand the Homesteading Initiative, it is up to the person who would move into the home to bear the cost of the repair; am I right about that? That, in effect, the person would have the opportunity to come into this abandoned land, but would have to bear the cost of the repair; is that right?

Mr. MONTGOMERY. Not necessarily, Congressman. The key thing to note here is that HUD wants to do what they can to keep communities together, to help stabilize neighborhoods that will certainly need that. This program, we think, is designed to do that. Rather than under the current program where HUD can sell those properties, in this case we would turn them over to local units of government for $1. We, of course, will take a substantial financial hit for that, but it is part of our effort to make sure those communities are stabilized. We think it is something we should do. Now, it is up to the local unit of government whether they will work with the nonprofits such as Enterprise, Habitat for Humanity, just as some examples, to actually do the sweat equity or the repair to the home.

Mr. DAVIS OF ALABAMA. Let me again just follow up on that, because I think that you are—I understand what you are saying, but obviously, the local governments might have to bear a lot of the responsibility. But I would echo what Mr. Frank said, that this is a place for HUD to be proactive. It does not make a lot of public policy sense for me to say to these people, you have a shot of reclaiming this property and making some use of it if you can afford it, because, obviously, a lot of them are in destitute conditions.

The final point that I will make before my time runs out, I think it is enormously important that we move forward with a much more expansive approach on housing, because this is the consequence of the government's inaction over the last several months. A lot of people who used to live in New Orleans feel they have no reason to go back. Unless we want this disaster to result in the repopulation and realignment of this city, the government needs to do more; frankly, HUD needs to do more and Congress needs to do more, to make an affirmative statement and to put proposals in place to make this city livable again. Otherwise, we are engaging in what amounts to a resettlement, and there is no place for that in our conscience when it comes to these evacuees.

I yield back the balance of my time.

Chairman NEY. Thank you.

The gentlewoman from California, Ms. Waters, the ranking member.

Ms. WATERS. Thank you very much.

I may have missed this answer already, but I am sorry I will have to request it again. HUD took some actions early on to build assistance, and I know that was discussed, I think, in the testimony that you had prepared where you talked about a number of things. One of the things you talked about was making some of the HUD properties available to FEMA, over 5,000 properties that you had. Were those accepted and utilized by FEMA?

Mr. MONTGOMERY. Thank you, Ranking Member Waters. Early on, FHA identified about 6,000 homes that were currently unoccupied that had been foreclosed on. That was in the 11-State region around—well, to include Alabama, Mississippi, and Florida, and Louisiana as well. Since those homes have been foreclosed, many of them required extensive repair.

Now, as part of an existing interagency agreement with FEMA that was developed with the hurricanes in Florida last year, we quickly modified that agreement to include these disasters. But again, many of these units needed repair. We quickly identified 1,800, began the repair on them, and made those a part of the agreement with FEMA. We dispatched HUD staff to the FEMA regional office in Dallas over 2 months ago to work on placing families into these properties, a lot of which were located in Texas. To date, back to the 1,800 for a minute, about 500 families have moved in. About another 700 families have been matched to a property, but not quite moved in, and the balance of that number are still under repair.

Now, getting back to the other 4,000 or so homes, again, many of those need to be repaired. As families move out of hotels, we will certainly make those properties available to them. We are also researching the possibility of maybe offering some of those homes on a very discounted sale to some other families. But again, we are still working through those issues.

Ms. WATERS. Well, let me ask you, you said 6,000 properties. How many all together?

Mr. MONTGOMERY. A little less than 6,000.

Ms. WATERS. Something less than 6,000. Why is it only 1,800 are repaired?

Mr. MONTGOMERY. Well, I would say that it requires time. Unfortunately, whenever a home is foreclosed, we found that on average, they require at least $15,000 worth of repair. Building materials are in short supply. It is hard to get, in some cases, the labor to repair these homes. The last thing we want to do is put a family into a home that doesn't have appliances, or the roof is not—

Ms. WATERS. Do you have the money for the labor?

Mr. MONTGOMERY. As part of the interagency agreement, FEMA will reimburse us up to $10,000 per home. The rest of that—

Ms. WATERS. So the money is there for the labor?

Mr. MONTGOMERY. Finding the labor has been the biggest difficulty, given the shortage of labor in that part of the country.

Ms. WATERS. I am not sympathetic to that argument, because we have victims of Katrina and Rita coming from the area looking for jobs. You have contractors down there—you don't, but FEMA—where they are getting people from Guatemala. We have people who want to work, people who are unemployed. I don't buy the argument that you can't find the labor.

What I buy is that between, I guess, HUD, FEMA and everybody else, there has been no program put in place by which to identify the unemployed, particularly those who come from the regions affected by the hurricane, and to place them into jobs. I mean, it is just outrageous that we have all of these unemployed people, and then we talk about we don't have enough people to do this kind of work.

And if $15,000 is the average amount of work that is required on a foreclosed home, you could spend $15,000 in 15 minutes in repairs. That is not a lot of money. That is not a lot of repair. I mean, that is a few drywalls and, you know, some faucets replaced. I mean, that is no big deal. We have people whom we are spending millions of dollars on and who are still on ships and in hotels, and we have got to do something to get these people into homes.

How many days has it been since—

Mr. WATT. One hundred ten.

Ms. WATERS. One hundred ten days, and we have about 4,000 properties that could be repaired and used that we just haven't been able to get on line yet; is that right?

Mr. MONTGOMERY. I am sorry?

Ms. WATERS. About 4,000 properties we just have not been able to get on line yet, we haven't been able to get repaired and put into use?

Mr. MONTGOMERY. That number is accurate. But I would add, again, we are also looking at the homes that require less repair to perhaps be able to offer to some families who have expressed interest, who have called our call center. Because again, these homes have been pulled off the market. We didn't want to sell them at market rate. We may be in a position to offer these at a discounted sale to some families.

But I do want to add that we did—we repaired over 1,800 homes less than 10 weeks or so after this agreement was signed.

Ms. WATERS. I know. I know you probably think you did a good job and you should be complimented. We are just not in a complimentary mood right now with these television stories every night about these poor people who are dying for someplace to live. We really—I am really focused on the trailers, but when I saw your testimony, with the 6,000 homes, my appetite was immediately whetted, and I thought, oh, you know, here we go.

So you had 6,000 homes; about 4,000 of those are left, 1,800 have been repaired, but only 500 people are housed in that possibility of 6,000.

But the other thing that you did is you gave a lot of waivers, and those waivers could have gotten people into homes, etc. How much have the waivers been able to do to get people into housing?

Mr. MONTGOMERY. As I referenced earlier, the last thing we want to do is to waive safety and soundness.

Ms. WATERS. We don't want you to do that. What did you waive?

Mr. MONTGOMERY. The waivers I referenced earlier had to do with our CPD program.

Ms. WATERS. Okay. So how many people got into houses as a result of those waivers?

Mr. MONTGOMERY. I will have to get that number for you.

Ms. WATERS. The chairman is telling me we have to go and vote, but I just want you to leave here knowing that we would really appreciate it if, for every housing resource you have, you could get somebody in it, and we are going to have to find a way to track that, because we just have to do better than we are doing. Thank you very much.

Chairman NEY. We have a vote, but I would note to the Members that I am more than willing to come back and have questions. I

would like to personally do a round of questions after you all ask your questions. I am more than willing to do that.

The other thing, too, I wanted to note, I have talked with the ranking member, I think it would have not worked that well to have had a hearing at the point in time this happened. Now, in the critical juncture, maybe in January we could go down to New Orleans and Gulfport and physically go to the people and have a hearing. I know individual Members who went down. I know it would be helpful if we could do that.

Mr. SCOTT. Before we vote, Mr. Chairman, could I ask my question?

Chairman NEY. Absolutely. I am willing to come back.

Mr. SCOTT. I do have a question. I want to get your response, because as I mentioned in my opening statement, we in Georgia rank third in the number of evacuees that we have, so it is a very critical issue. A major concern in one of those areas that HUD is involved in is your rental assistance through your KDHAP program in which you are providing some rental assistance.

With that in mind, I want to share with you a major concern. I want to read just a part of a letter to me from my constituents in Georgia, the Georgia Municipal Association. They say, Congressman Scott: The Federal Government's policy of rental assistance money simply does not align with market reality. As I am sure you know, the Federal Government is offering evacuees $786 per month for rent, although in the metro area, the fair market value of rent is considerably higher, over $1,000. The Department of Housing and Urban Development's fair market rent of approximately $830 for the City of Atlanta is still not sufficient. As of last week, we were told by the Georgia Emergency Management Agency that a housing assessment conducted by the City of Atlanta had identified only 740 apartments that were available at that rate.

My question simply is that given that the average rental payment for a two-bedroom apartment in Atlanta, Georgia's market approximates $1,000 per month, not even counting estimated monthly utility costs of another $400 per month; how do you think and how did you arrive at a market value substantially lower than that, and did you do an analysis of the market value? And given the fact that this information is coming from Georgia, what can we do to increase that to get the help down to the local governments so that this burden isn't totally on them to make up that difference?

Mr. CABRERA. Congressman, I am reasonably certain that the Atlanta MSA has an area median rent that is higher than $746. The KDHAP voucher is not pegged to any one number. It is pegged to the area, the area fair market rent.

So I am not entirely sure where the number was that you mentioned, $746.

Mr. SCOTT. Right, $786.

Mr. CABRERA. $786, where that came from. I will be happy to go back.

Mr. SCOTT. Which does not include the utility cost. And when the average two-bedroom cost is over $1,000.

Chairman NEY. We have about 4 minutes left in the vote. You can come back? I will be back.

Mr. SCOTT. I think I will come back. It is important.

Chairman NEY. We will reconvene in about 8 minutes.

[Recess]

Chairman NEY. We will go ahead. I want to thank you for returning.

We will start with Mr. Scott. He was in the middle of a question.

Mr. SCOTT. Thank you, Mr. Chairman. I think where we left off was the situation in Georgia that we are faced with, and this discrepancy in the amount of money that is allocated to cover rent, rental assistance, which is clearly about $200, maybe $300, $350 less, not including the cost for utilities.

How do we deal with that? How can we get that discrepancy closed? We, in Congress, have allocated the moneys for that; you all have that authority. How quickly can we solve that problem?

Mr. CABRERA. Mr. Scott, I did get some clarity on the rent issue. As I noted earlier, it is, in fact, area fair market rent that predominates in any given market where KDHAP is used.

In the case of the Atlanta MSA, that number is $818, which means that a study was done, and I have signed those in the last 3 weeks. I was sworn in 3 weeks ago. And so sometime recently there was a rent study done. The rent study said that the fair market rent for a two-bedroom unit in the Atlanta area is $818. That is the applicable rent pursuant to KDHAP.

Now, as part of the KDHAP program, the tenant also gets a utility deposit allowance and gets a security deposit allowance. But they don't get utilities, as far as I know. I can check with my staff, but let me find out.

Correct, there are no utilities in the KDHAP program.

Mr. SCOTT. I mean—you have got winter coming. How are people going to stay warm? How are they going to eat? How are they going to subsist? There is no utility.

Mr. CABRERA. The KDHAP program is designed to deal with emergency response. It is allocated to FEMA. KDHAP comes out of a small subprogram within FEMA's program that we are administering for them. It is designed to essentially take care of a victim's rental needs or housing needs.

Mr. SCOTT. In your opinion, what is it going to take for us to get some help down to our State and our local communities who are facing this issue? You say, it is $819. My folks down in Georgia say it is closer to $1,000 per month. There is a problem here. How do we address that?

Mr. CABRERA. There are different elements to housing assistance and emergency response.

Generally, there is an emergency response package that is provided to those folks who are not receiving help, essentially from HUD, in the form of anything that has to do with public and Indian housing. And those folks are being helped by FEMA. The folks that public and Indian housing are helping are folks that were previously receiving vouchers under Section 8 and those who were residents in public housing.

And I have just been corrected by my staff, and evidently the fair market rent includes utilities.

Mr. SCOTT. Well, I understand that. For $200, I think. Is that right, you have a utility of $200?

Mr. CABRERA. I do not know what the utility allowance is.

Mr. SCOTT. So that $200 is included in the $816?

Mr. CABRERA. That is not—I know that is not how they used to statistically handle it.

May I have a moment, please.

Mr. SCOTT. Sure.

Mr. CABRERA. Congressman, I am going to again go back to an old hat I used to wear.

As a matter of practice, what typically happens is that there is fair market rent and there is a utility portion of rent that HUD publishes. As a general rule, that utility portion is published from time to time.

The issue that you have just identified is unclear to me. We are looking it up right now, and I will get back to you as to whether the $818 number is a gross number or whether it is a net rent number with a utility on top. I suspect it is a gross number.

Mr. SCOTT. Well, let me just say before I go to my next question, I know there are other questions that obviously this is an issue. It is a very serious one. I think it is one which we can do something about in terms of it. We need your direction to tell us what we need to do in Congress to fix that problem.

It could be an additional appropriation. It needs to be something because it is clear that, you know, you have got average utility down there. My folks are saying—Georgia Municipal Association, City of Atlanta, Clayton County, Cobb County, De Kalb County, all of these counties that are holding over 30-, 40,000 folks, they are facing this dilemma.

And so, we need to address that. That is a really killing issue to us.

And you have got $900 or $1,000 in rent for a two-bedroom apartment, the utility is $400, that is $1,300, and you got only an assistance of $819, as you say. And quite possibly $200 of that is folded in to take care of the utilities.

Let me just ask you one other question too. For the FHA, in those FHA-insured homes in the devastated area, have you issued any moratorium on closure?

Mr. MONTGOMERY. Thank you, Congressman. Yes, sir, we have. We issued the first 90-day moratorium shortly after the hurricane. The first moratorium expired in late November. We extended, sir, an additional 90 days that will currently take us to the end February of 2006.

Mr. SCOTT. Let me ask you. Another major concern is the long-term planning of this and your ability to work. Whatever it is, I do not know what these differences are.

Well, before I get into that, what are the differences? Let's lay the cards on the table. I just believe that there are some problems. Not only are there problems within FEMA responding to this, problems within HUD responding to this, there appears to be a very serious problem of getting HUD and FEMA together.

What is the status of your relationship with one another? Be frank and honest with us because there are clearly some problems here; we need to address those. There are people out there who are hurting because there is a failure with these two agencies, one dealing with the temporary that has to hand it off to the

semipermanent to the permanent housing to fix. If there is no bridge there, if there is no glue there, we have a problem.

Mr. MONTGOMERY. I will address that, speaking for FHA and for housing at HUD. We realized early on that this was an unprecedented disaster. And we, on our own, dispatched dozens of HUD staff to staff Disaster Recovery Centers, knowing that FEMA would need those resources.

We again modified an existing interagency agreement that we had with them, so we quickly put that into place along the Gulf Coast, relative to the FHA foreclosed homes that we had in our inventory. And working with them, we quickly pulled those homes off of the market, knowing that they would be occupied.

What we did know early on was the level of repair that they required. But, again, that was us working together with FEMA.

Mr. SCOTT. I want to get to this point. I want to know if this is the root of the problem.

There have been individuals and housing advocates all across the board—and I am sure you are aware of this. They have increasingly been raising the issue of whether some or all of FEMA's housing assistance responsibilities should be transferred to HUD, the Federal agency which is primarily, as you are, for housing policy.

And these calls have increased in light of the continuing criticism of FEMA's administration of its emergency housing programs.

Where are we on that? Is there movement here? Is there any substance to these issues and this effort to transfer all of the housing into HUD?

Mr. MONTGOMERY. Well, certainly, sir, that is a decision others will have to make. But, speaking for the here and now, I think we have all learned significantly from this. And to the degree that we could, when we encountered a problem, instead of saying, Well, that is a square peg in a round hole, we said, let's make that square peg fit in that round hole.

Mr. SCOTT. You are aware that some people are suggesting that?

Mr. MONTGOMERY. Sir, I am aware of that. Again, those are decisions for others to make.

But I would also say one thing that we learned from this.

Chairman NEY. I've got to call time on this. Sum it up.

Mr. MONTGOMERY. We learned from this, working with other Cabinet agencies—as you know, HUD is not the only Cabinet agency that has a housing role; certainly, USDA does and VA does. We work very closely with our partners in those other Cabinet agencies, including in the Disaster Recovery Centers, bringing all of our efforts, all of our properties to bear; and particularly USDA should be commended for what they did.

Chairman NEY. I could be wrong, but before FEMA was created, didn't HUD have a HUD disaster, and they handled everything, and people got mad and they created FEMA.

Mr. MONTGOMERY. That is my understanding.

Mr. WATT. Thank you, Mr. Chairman. I am not a member of this subcommittee, and I am an interloper, so I want to try to stay well within the 5 minutes.

There is plenty of abuse that HUD, FEMA, and everybody else is taking. I want to take the opportunity to praise something that I think may have the capacity to be built upon.

The Congressional Black Caucus's Katrina relief bill has a provision in it that would provide for payment of mortgage payments by the government for a 1-year or 2-year period; and I think it is wonderfully significant that HUD has picked that up with reference to the things that are under its jurisdiction.

So a couple of questions, because I think we may have the potential here to build on something that you all have taken the lead on.

Have you—in the aftermath of your decision to do this mortgage assistance program for FHA-insured mortgages, have you found any receptivity in your discussions with private mortgage lenders to do the same, to replicate this program with non-FHA insured mortgages? That is the first question.

Second, you may not have this information readily available with you today, but I certainly would like for you to give the information to the committee. What is it going to cost to do this mortgage assistance program? Obviously, you all have costed it out, I would assume you have; you may not have the figures right here. But it seems to me that the way you have done it, picked up the payments for a period of time, and then tacked those payments back on the end of the mortgage, while it costs something in the short term, saves something in the long term because you do a lot less foreclosures.

And where I am headed to here is, if we could get a number and this is a manageable number, we might be able to convince our colleagues here that by spending a little bit of money on a program such as this in the short term, we might even be able to convince lenders that by doing this in the short term, it is a long-term savings to them.

So is there any receptivity that you have sensed from the private mortgage lenders to follow your lead, and if they did and did it basically on the same model, tacking the payments that are deferred onto the end of the mortgage, what would be the financial impact of doing that?

Mr. MONTGOMERY. Thank you, sir, for your questions. I will answer the second one first. You had asked about the cost of doing it.

Speaking for HUD, we considered the cost of not doing it, that by investing in this—yes, it is a note, a second mortgage that is not payable, however, until the first mortgage is paid off or refinanced—we will lose less money in the long term.

It wasn't our principal reason for doing it. We wanted to give these families some relief. They have got enough to worry about. We wanted to be able to take this off of their plate. To the degree that we could, sir, we did that.

Mr. WATT. But you are not really saying that the net cost effect is—you have costed it out—is a positive figure, are you? I mean, surely it is costing you something.

Mr. MONTGOMERY. Absolutely.

Mr. WATT. I understand that this is a good gesture. But I want the record to be clear. You are not saying FHA and HUD are going to gain money as a result of doing this?

Mr. MONTGOMERY. No, sir, we will not.

Mr. WATT. So there is a cost associated with it that is aside from the, you know, the cost of not doing it?

Mr. MONTGOMERY. That is correct.

Mr. WATT. That is the cost I am looking for. And, you know, you may not have it today. I just think it is important for us to get it in the record.

Mr. MONTGOMERY. Yes, sir. We will do that.

Chairman NEY. The time has expired. You can sum up.

Mr. MONTGOMERY. Just quickly, sir. It is difficult for us to speak for the conventional market. Speaking for Fannie and Freddie, though, they did put moratoriums on their mortgages fairly early on.

Perhaps the conventional market will look at the fact that we will lose less money by doing this effort, and they will have to make those decisions on their own.

Chairman NEY. Ms. Lee.

Ms. LEE. Let me go back to asking my question with regard to the homeless. In terms of those who were homeless prior to Katrina, what are the details in terms of eligibility for program assistance and funds for evacuees now, who were homeless prior to Katrina, and who knows where they are now?

But what is going on with them and how do they become eligible for housing assistance?

Mr. CABRERA. Many of these questions are answered, frankly, by the existing system. It is a continuum of care. And those who are homeless and involved in a continuum of care, who are identified; and then what we would do is match that with current FEMA intake information and try to locate them.

In those cases where they were located, we are providing housing, including KDHAP vouchers.

Ms. LEE. And when they return home, what will they go back to? Where will they be returned to in terms of housing?

Mr. CABRERA. We are implementing a housing solution that would entail a greater incentive than just the physical locale in which to live, with respect to the Katrina response.

But returning home is an issue as well. I mean, New Orleans is probably not going to be an alternative for a homeless person to go back to for a while. So at the end of the day, what we are trying to do is maintain this program, the KDHAP program, in order to provide for their housing as long as possible.

Ms. LEE. I guess when they return home, when it is safe for them to return home and when there has been adequate housing built, a person who was homeless prior to Katrina, will they be eligible to return to some rental housing, for example, subsidized by HUD, or where they will return?

Mr. CABRERA. They will be eligible to still receive the subsidy they previously received when they were part of the continuum of care.

Ms. LEE. But—part of the continuum of care, sure, but if you are homeless, you are living in a shelter or you are homeless. So do you return homeless to the block where you were living, or do you go to the shelter?

Mr. CABRERA. In the case of the homeless, there are a variety of groups. There are folks who are homeless for one reason or an-

other. In some cases, those are folks that are going to go to shelters. That is the place where they feel they are best served. So that largely becomes an issue of how that city deals with the homeless issue in their particular area.

For those who are looking to go beyond that, that is a longer-term issue that I believe frankly would be outside the orbit of emergency response. Most of what we have been dealing with here is emergency response.

Ms. LEE. Okay. So for those living in the streets who are homeless and had to leave to survive, what do they return to?

Mr. CABRERA. Well, I think it depends upon—it is not a question of what they return to. Their question is, we have to locate them now.

Ms. LEE. Well, once you locate them.

Mr. CABRERA. I am trying understand the question a little bit better. I think what you are trying to ask me is, what happens after the subsidy is up, the KDHAP subsidy is up?

Ms. LEE. When people return home, when housing is built, when it is safe to return, people who were living in the streets, who had to leave—

Mr. CABRERA. They were already receiving some subsidy from public and Indian housing.

Ms. LEE. But they did not have any place to live. What I am trying to find out is, will they have a place to live now when they return to New Orleans?

Mr. CABRERA. I think that is part of a more general question, which is, what is that continuum of care eventually going to do for folks who are homeless, what is "homeless" defined as?

Ms. LEE. But if you are living on a block, a street corner, and you are homeless, and you get whatever subsidy you get every month to get food stamps or whatever, do you return to that block where you are living, where you were living?

Mr. CABRERA. You were previously in a program where people were familiar with you and people were attending to your needs. And at that time, the time the hurricane hit, we were asked to undertake essentially a housing solution for them in that context. For those folks, that continuum of care will persist.

But I am not sure that those are the only folks you are discussing.

Ms. LEE. I am talking about other folks. I know that New Orleans had a large homeless population, like many urban areas. So what happens to those were living in the streets?

Mr. CABRERA. For folks who were living in the streets, whose continuum of care we are not aware of, I mean, no one—

Ms. LEE. So everyone had shelter? Everybody was living in a shelter?

Mr. CABRERA. I do not believe that anyone has ever maintained that those folks had shelter. I think the issue is that there is a continuum of care that was trying to deal with them. That is the context that we can best address.

Ms. LEE. But will they have shelter when they return?

Mr. CABRERA. The issue is first locating and identifying.

Chairman NEY. The time has expired. Mr. Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman.

Mr. Montgomery or Mr. Cabrera, first of all, this is a question that I think all human beings can feel.

What is your assessment of the interest of Congress in trying to solve the issues, the mammoth issues, in the Gulf Coast region based on—you know, there are four people here from the committee, but does that say anything to you at all?

Mr. MONTGOMERY. I am sorry, Congressman. I want to make sure I understand the question. You are asking our assessment of Congress' role or their interest?

Mr. CLEAVER. No. I know the role of Congress.

I am asking if you can look here at the four Members present, and realize there are about 30 others who are not here, maybe more. Does that make any suggestion to you about the disinterest in Congress, that this issue has already had its moment in the sun, and so there is no need to, you know, press forward to try to resolve the issues that are in front of us?

What do you think when you look up here?

Mr. MONTGOMERY. Congressman, it is hard for me to speak why there are so few Members here today.

Mr. CLEAVER. No, no, no.

Mr. MONTGOMERY. If I understand the question, we have had significant discussions with Members not here today, with their staffs, and certainly the Members who are in the Gulf Coast region.

Mr. CLEAVER. That is not what I am talking about.

I don't blame you for avoiding it, because it has nothing to do with you in a way; it has something to do with the problem that I think faces this country on almost any issue. That is attention deficit disorder.

I mean, all of a sudden there is no interest, it appears, in this issue. And people are in pain. And I just wonder whether or not both HUD and FEMA would have a different kind of aggressiveness if there appeared to be Herculean interest both from the Administration and from Congress?

And you are saying that it wouldn't matter, you are going to—you are going to just push ahead no matter what anyway. I mean, that is the correct answer.

Mr. MONTGOMERY. It is true, sir. We are pushing ahead.

Mr. CLEAVER. I understand. Okay, well, I am trying to make my point too. Hopefully, I have.

Is training going on now for fair housing and 504 housing accessibility requirements in the flood-ravaged area? Are you doing training on fair housing and 504? Assistant Secretary Kim Kendrick recently described training on fair housing and 504 housing accessibility requirements that the Department is conducting in the hurricane affected areas.

Can you describe now the training that is going on?

Mr. MONTGOMERY. Congressman, I cannot get into a level of detail on the training, as that is not a program that is under my purview. But I can wholeheartedly say that Assistant Secretary Kendrick is 100 percent committed to making sure that fair housing remains a large part of the recovery and rebuilding effort in and around the Gulf Coast region, and throughout the country.

Early on, staff from fair housing were dispatched to the Gulf Coast region, within days, and those staff are still down there, sir.

And since that time, Assistant Secretary Kendrick has been sworn in, and she has continued an equally aggressive posture in that regard.

Mr. CLEAVER. I am not sure if it is under your purview or not. But do you know if HUD is doing something proactively to make sure that HUD contractors are aware of 504 and fair housing guideline obligations?

Mr. MONTGOMERY. Sir, if I can get you a concrete response after this, after I have discussed it with Assistant Secretary Kendrick—

Mr. CLEAVER. Thank you very much.

Let's move on. One of the concerns that seems—that I think is being kind of overlooked: Why is it that the mortgage lenders—why are mortgage lenders asking evacuees to get vacant property insurance?

Mr. MONTGOMERY. I am sorry, sir, about property insurance?

Mr. CLEAVER. Vacant property insurance. Evacuees, some have said to us that they are being required to get vacant property insurance.

Mr. MONTGOMERY. Well, sir, I can speak for FHA in that regard; I cannot speak for the conventional market.

But part of our market assistance initiative is, we will pay the insurance for that 1-year period. In addition to the principal, the interest, and the taxes, we also pay the insurance.

Mr. CLEAVER. Okay.

Chairman NEY. Let me just ask one question, and then we will go on if you have some other rounds of questions.

Has HUD completed the damage assessments in the impacted areas? Have you completed those?

Mr. MONTGOMERY. Speaking for FHA, sir, those damage assessments continue as we speak. I have previously shared some of the numbers on the FHA properties, as far as the levels of damage, whether they are severely damaged or can be repaired.

Relative to the multifamily portfolio, we have a little more concrete answers. It appears right now, for the three disasters in the Gulf Coast region, the estimated damage for multifamily properties is a little less than $400 million.

Chairman NEY. One thing I wanted to mention. This is what was in a recently updated version of HUD's online report. I know you took some of those actions on assessing damages.

In the recent report, it says, "Actions taken in response to Hurricane Katrina," dated November 1st, HUD states, "All physical inspections of both public housing and multifamily properties in the impacted counties in Mississippi, Louisiana, Alabama and Florida have been postponed." That was online. Are you aware of that?

Mr. MONTGOMERY. I do not believe, speaking for our portfolio, sir, I do not think that is the case. We have fairly concrete numbers now.

Mr. CABRERA. Mr. Chairman, I think what that might be referring to—and I will go back and double-check—is that as part of our customary practice, we do physical inspections. So they mean the physical inspection of units that are required, I think, in public housing.

The postponement means that we know you are busy trying to recover, so therefore you should not expect HUD or any of its in-

spectors to knock on the door and assess you based upon damaged property. That is, I think, what they intend by stating it.

Chairman NEY. Do you know why the proposal, I think, we have seen so far from the Administration—why it did not include designated funding for repairing and rebuilding the damaged and destroyed public housing properties; or is that altered and there is now a proposal to do that? In other words, restoring public housing that was damaged in those areas, is there something in the Administration's proposal that would do that?

Mr. CABRERA. I think the Administration is committed to restoring multifamily housing to the extent that the President has committed or made it clear that New Orleans needs to recover, because it is critical to the United States.

I think the issue is that there are a lot of ways to recover inventory. And I am not entirely sure that it is just an issue of the public housing appropriation. I also think that part of the appropriation in the supplemental was designed to deal with the ability to either rehabilitate or build units of one kind or another for affordable housing.

Chairman NEY. Well, I will move on to our ranking member. I just think as this—you know, I have other questions which we will ask HUD. But with the housing authorities and what had to happen, and moving people and brand-new Section 8 vouchers, and people have gone across the country with all of these issues that are out there, I just think that we are going to have to be careful in the Congress to make sure that as we try to help people, HUD then does not, you know, try to assume the costs of all this, and then people who are on waiting lists in other parts of the country do not have help.

I mean, I think that is something that we have got to be careful to watch.

Ms. WATERS. I know that you have probably been asked some of these questions more than once.

But what is amazing me as I examine what FEMA is supposed to be doing and what HUD is doing, I believe that there are just tremendous resources, but we do not feel the impact of those resources out there.

Let me just ask you, the Katrina Disaster Housing Assistance Program—HUD is responsible for administering the Katrina Disaster Housing Assistance Program—will provide up to 18 months of temporary rental assistance for tens of thousands of families displaced by Hurricane Katrina; will jointly administer this program with the help of approximately 2,500 public housing authorities for those receiving HUD assistance before the hurricane struck.

To be eligible, displaced families must register with FEMA. Families will be given a rental subsidy based on 100 percent.

Okay, so FEMA handles this program for you, for the victims of the disaster. They register with FEMA, those who are eligible for the Katrina Disaster Housing Assistance Program. They register with FEMA. Is that how it works?

Mr. CABRERA. Typically what happens is that anyone who is a storm victim registers with FEMA generally. If that person happens to have been a tenant in public housing or a recipient of a Section 8 voucher, then the KDHAP program was created in order

to provide them with the ability to pay for housing, and that is what the KDHAP is designed to do.

Ms. WATERS. So how many families or individuals have you assisted who have gone through and gotten their FEMA registration, and they have been connected with or identified with one of the persons eligible for KDHAP? How many of those have you assisted?

Mr. CABRERA. The number of people assisted right now is—approximately 12,500 people have been processed to receive KDHAP.

Ms. WATERS. What does that represent of the total number, or would you have any way of knowing?

Mr. CABRERA. The total number of people who are potentially qualified to receive KDHAP is approximately 75,000 in terms of people who received HUD assistance.

Ms. WATERS. What do you think happened to the rest of those folks, the 75,000?

Mr. CABRERA. I see why the difference between 75,000 and approximately 12,500. In many cases, it is finding folks; in many cases, it is people who have not signed up; in many cases, issues of eligibility are being dealt with.

It is not an easy thing to locate people after a storm, even 110 days after a storm.

Ms. WATERS. Do you have a public relations program or a public service program of some kind where you do outreach to try and say, if you lived in public housing, this is what you do? Do you have something like that?

Mr. CABRERA. Yes, we have, and we have used it extensively.

Ms. WATERS. Okay.

Now, Congresswoman Lee was asking you about homeless individuals. This information that you gave us said eligible families include displaced public housing residents, Section 8 voucher holders, other HUD-assisted households, and predisaster homeless individuals who are directly affected by the hurricane.

Mr. CABRERA. Correct.

Ms. WATERS. Do you know if any of those homeless people have been assisted?

Mr. CABRERA. As I recall, a lot of those folks are currently receiving KDHAP vouchers, yes. I do not know the number affirmatively, because again it is difficult to ascertain.

These are people who would have to register with FEMA. In many cases, they do not.

Ms. WATERS. Okay.

The FHA provides both single and multifamily housing insurance when there is a disaster declared. The declaration automatically implements certain procedures with regard to FHA-insured mortgages in the affected areas. These procedures remain in effect for 1 year.

Who, and how can you describe who has received assistance from HUD as a result of this declaration? I am interested in the mortgage payment problem. We have a lot of homeowners in some of these areas, and most of them cannot continue to pay the mortgage, but I guess they will continue to owe. Some of them were insured and some were not. How do you fit into that?

Chairman NEY. The time has expired, but please go ahead and answer the question.

Mr. MONTGOMERY. Thank you, Ranking Member Waters. Again, speaking only for FHA, we just announced this program last week. And mortgagees, lenders, are in the process of reaching out to their borrowers who will be eligible for this program.

We have also sent out numerous news releases, media interviews within the region, encouraging people who have FHA mortgages to call their lenders as soon as possible. And I can get you some numbers after this meeting.

Ms. WATERS. Well, just tell me how it works real quick, if I may. They call and say, I cannot pay my mortgage, then what happens?

Mr. MONTGOMERY. We will have to look at their current situation. But if they do qualify for the program, then we will forebear, we will put off those payments for a period of up to 12 months.

Ms. WATERS. Up to 12 months. So it is too soon to know whether or not anybody is taking advantage of that program? It is recent?

Mr. MONTGOMERY. Yes, ma'am. We just announced it last week. I will get you some numbers after this meeting and communicate those back to your office.

Ms. WATERS. And you will make that program aware to the mortgage holders, the banks, and what have you, and they will tell the people that they can have their mortgages placed on hold for a year?

Mr. MONTGOMERY. The lender, if you will, will sit down with the borrower and look at their assessment, look at the damage assessment, and determine whether or not they are eligible for the program, because it is the lender's loan; FHA just provides the insurance.

Ms. WATERS. All right. Mr. Chairman, I will follow up on that.

Chairman NEY. Other final questions?

Ms. LEE. I would like to ask you about HUD's contracting authority and what exactly takes place as it relates to housing and community development efforts in this whole Katrina response.

Several of us met with the African American Chamber of Commerce and minority and small businesses. And, of course, the concern right after Katrina was that these companies have been shut out of the primary contracts in terms of cleanup and all of the immediate kind of work.

Does HUD intend to, or are you contracting any of these programs out now, or will you be? And if so, what type of contracts will you be letting?

Mr. MONTGOMERY. Congresswoman, we have our Assistant Secretary for Community Planning and Development here if you would like her to respond to those questions.

I will offer, though, that HUD, as an agency, I believe leads the government in contracts with minority and disadvantaged firms in 8a contracts. I know that they have an outstanding record in that regard.

Ms. PATENAUDE. Congresswoman, if I could echo Assistant Secretary Montgomery, Secretary Jackson is very committed to small business. It is actually a procurement question.

Ms. LEE. And minority businesses?

Ms. PATENAUDE. Absolutely.

Ms. LEE. Could you tell us, give us an example of the type of contracts that will be coming down the pike as it relates to the Katrina efforts?

Mr. CABRERA. Most of the efforts relating to contracting at NPIH we have worked in within the context of the existing contracts. A lot of those servicers are 8a and minority-owned contracts. And we have simply, within the orbit of the law, within what is permissible, expanded that servicing.

What is coming down the pike, I am—honestly, Congresswoman, I do not know. But I think one of the things you are asking me is whether HUD will have to do, for example, debris removal, or will HUD do other kinds of emergency response functions. And typically, the answer from PIH's perspective—and not to speak for either of my two colleagues, but generally from HUD's perspective, is, no, that is typically handled by FEMA.

Ms. LEE. Okay. Well, is there a way, though, that we can get an idea of what you will be contracting out in terms of the Katrina response?

Mr. CABRERA. I am happy to inquire and get back to your office.

Ms. LEE. Thank you very much. And also what if the plans are, if it is strictly expanding 8a contracts to include a larger scope of work, let us know that, or just what exactly you plan to do with those new funds.

Thank you.

Chairman NEY. Mr. Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman.

I am going to give you the HUD funding targeted for the rescission package, and I want you to tell me if it will have an adverse impact on what we are trying to do in the Gulf region: $100 million for Section 811 disabled housing construction program; $24 million for the HUD brownfields redevelopment grant; and $6 million in credit subsidies for the CDBG Section 8 program.

Those are all targeted for rescission. What impact will that have on what we are trying to do in the Gulf region?

Mr. MONTGOMERY. Sir, relative to the 811, the $100 million was unobligated funds. Those funds had not yet been obligated.

Mr. CLEAVER. So there is no impact. Is that what you are saying?

Mr. MONTGOMERY. Sir, it is difficult to say what that impact would have been, since they were unobligated. But that is what the decision is that was made.

Mr. CLEAVER. Brownfield, I mean if there has ever been a brownfield explosion, it would be certainly in the Ninth Ward. And $24 million is being cut from the brownfield program.

Mr. MONTGOMERY. Again, Congressman, I would ask that Assistant Secretary Patenaude, who administers that program, respond.

Ms. PATENAUDE. Congressman, we have money still available in fiscal year 2005. We have not awarded the 2005 awards, and we do anticipate having $10 million in 2006.

Mr. CLEAVER. So they were unobligated. These were brownfield dollars that were available that cities were not awarded.

Ms. PATENAUDE. They have not been awarded yet for 2005. They will be shortly.

Mr. CLEAVER. They will be awarded shortly?

Ms. PATENAUDE. Correct.

Mr. CLEAVER. So we cannot count that as dollars that will be used in New Orleans?

Ms. PATENAUDE. That competition was under way prior to the hurricane.

Mr. CLEAVER. Yes, that is the precise point I am making. So $24 million in the rescission for brownfield will have an impact on what we are going to need it to do in New Orleans.

Ms. PATENAUDE. We will still have $10 million available in fiscal year 2006 for brownfields.

Mr. CLEAVER. So the $24 million is irrelevant to what we want to do in New Orleans?

Ms. PATENAUDE. It could have a potential impact. It is a competitive program.

Mr. CLEAVER. I am a former mayor. I am familiar with all of these programs, very familiar with them. And since New Orleans cannot compete, probably, right now in terms of developing the programs and making all of the assessments, how are we going to deal with brownfield problems and no money?

I mean, they cannot compete. You are saying that the cities have already competed.

Go ahead.

Ms. PATENAUDE. In 2006, we will have $10 million available.

Mr. CLEAVER. For New Orleans?

Ms. PATENAUDE. New Orleans would be eligible to compete for those dollars.

Mr. CLEAVER. Okay. So if we have, let's say, four major projects, let's say five or six large service stations or some other highly toxic soil, it will take up the $10 million.

So what we are saying is that there is a minuscule amount of money compared with the need that will go into New Orleans?

I mean, $10 million. God bless everybody, but I mean, I wish I had $10 million. But, you know, $10 million in my pocket is different than $10 million in New Orleans after this flood, and after the contamination level has made the whole city a brownfield.

So $10 million is insufficient; isn't that right?

Ms. WATERS. Will the gentleman yield so I can give you some information that may be helpful with this questioning.

I am told by staff that the $24 million in brownfield has been rescinded. They sent in a request for rescinding that money, along with $100 million for Section 811 and $6 million for CDBG.

Mr. CLEAVER. Yes, I just gave them that information.

Ms. WATERS. She said it was going to be awarded?

Mr. CLEAVER. She said there was $10 million that was not awarded last year that will be used in New Orleans.

As a former mayor, I am saying that $10 million in Kansas City, the largest city in the State of Missouri, would not deal with 10 blocks. We are talking about a whole city that is a brownfield, Brownfield, Louisiana. So we do not have enough money, right, for the brownfield?

Ms. PATENAUDE. We have $14 million still available for fiscal year 2005, and $10 million for the fiscal year 2006 after the rescission.

Mr. CLEAVER. So we would have had $48 million without the rescission?

Chairman NEY. Any additional questions? Time has expired.

Ms. PATENAUDE. We are dealing here with 2 fiscal years.

Mr. CLEAVER. I understand.

Ms. PATENAUDE. The $24 million rescission is for fiscal year 2005.

Mr. CLEAVER. So we do not have enough money, right?

I mean, can somebody else answer, somebody over here? Do we have enough money?

Ms. PATENAUDE. Sir, the CDBG program can also be used.

Chairman NEY. No, we don't.

Seriously, it is going to take billions of dollars for the infrastructure, just to get the cleanup. That is my opinion. I mean, I think it is going to take billions. Any response to that?

Mr. CLEAVER. Write it out and do not sign your name to it. I mean, you know, when you look at the rescission and then you look at the problems that are out there, does HUD support this, the rescission?

Mr. MONTGOMERY. Sir, relative to all of the decisions, obviously this was a disaster of unprecedented scale. Some difficult decisions had to be made.

Mr. CLEAVER. So HUD doesn't support it?

Mr. MONTGOMERY. Sir, that was a decision that was made on the rescission.

Mr. CLEAVER. So you are denying HUD made it? God bless you. Have a nice holiday season. I appreciate it.

Chairman NEY. If we could follow up with questions that you have, we would like them back in writing.

I wanted to also note, this is Cindy Chetti's birthday.

Cindy, raise your hand. So happy birthday.

She does a lot of work on this committee and helps a lot.

I want to thank the members. I want to thank HUD. I appreciate your patience today, and follow-up questions, I think, will be important.

So with that, we may have additional questions for this panel; they may want to submit in writing. Without objection, the hearing will remain open for 30 days for members to submit their questions and for the witnesses to place their response.

Thank you very much.

[Whereupon, at 4:30 p.m., the subcommittee was adjourned.]

A P P E N D I X

December 14, 2005

Opening Statement of the Honorable Bob Ney
Chairman, Subcommittee on Housing and Community Opportunity

Hearing on

"Housing Options in the Aftermath of Hurricanes Katrina and Rita – Day 2"

Wednesday, December 14, 2004

The Housing Subcommittee meets this morning to continue its discussion of the Federal government's response to the emergency housing needs of residents affected by Hurricanes Katrina and Rita. Last week this Subcommittee heard from FEMA regarding its efforts to provide housing assistance to the hurricane evacuees. Today, I am pleased to have two witnesses from HUD testifying, FHA Commissioner Brian Montgomery and Assistant Secretary for Public and Indian Housing Orlando J. Cabrera.

Along the Louisiana, Alabama, and Mississippi Gulf Coast, Federal and local governments now face the Herculean task of coordinating the relocation of thousands of individuals and families whose lives have been uprooted due to Hurricanes Katrina and Rita. In mid-September, I brought together groups from across the housing spectrum to begin discussing how best to respond and help those devastated by this disaster. This was just the first step, and in the weeks and months ahead, Congress and the Housing Subcommittee, will stay focused on how to help these citizens recover.

On September 23, 2005, the Department of Homeland Security and the Department of Housing and Urban Development announced two distinct programs to address the housing needs resulting from Hurricane Katrina. FEMA is the lead agency in administering disaster assistance, and the majority of those in need of housing assistance will be helped through FEMA's Individual and Households Program (IHP). HUD is responsible for administering the Katrina Disaster Housing Assistance Program (KDHAP). KDHAP will provide up to 18 months of temporary rental housing to tens of thousands of families displaced by Hurricane Katrina. HUD will jointly administer this program with the help of approximately 2,500 public housing authorities to those receiving HUD assistance before the hurricane struck. To be eligible, displaced families must register with FEMA. Families will be given a rental subsidy based on 100 percent of Fair Market Rent in that community.

Displaced families will decide where they would like to move. Upon arriving in their new community, the evacuated family will meet with the local public housing authority that will help them to find a suitable place to live. Eligible families include displaced public housing residents; Section 8 voucher holders; other HUD-assisted households; and pre-disaster homeless individuals who were directly affected by the hurricane.

The Housing and Community Opportunity Subcommittee held four hearings and briefings on the national flood insurance program and the critical housing needs of the hurricane-ravaged areas. In addition, the Housing Subcommittee has shepherded needed relief legislation to the House floor in the recent months following this disaster that will

affect not only families in the immediate hurricane ravaged areas, but those families forced to suffer the aftermath due to flooding.

I look forward to hearing from today's witness as to what housing efforts HUD has taken on ground in the affected area, what the current needs are, and what regulatory or legislative solutions may be necessary in the immediate future. Today's hearing is an important step in the recovery process and I look forward to an important debate and discussion.

WRITTEN STATEMENT OF

BRIAN MONTGOMERY

ASSISTANT SECRETARY FOR OFFICE OF HOUSING/ FEDERAL HOUSING COMMISSIONER

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HEARING ON

"Housing Options After the Hurricanes"

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

DECEMBER 14, 2005

Introduction:

Mr. Chairman, Ranking Member, and distinguished Members of the Committee; it is a privilege to appear before you today. Our purpose is to discuss what the Department has done in the effort to help people recover and rebuild and to discuss what we have done and what we are doing to provide housing for so many with unprecedented challenges before them.

I must take a moment, however, to thank the Chairman for his invitation to appear today. In discussions with him and his staff, it was agreed that we would honor the request to testify. However, there was a genuine misunderstanding circulating that somehow this Department refused to appear last Thursday and that there might be a need to coerce an appearance and testimony. That simply was not the case; we were trying to coordinate and finalize a date when we could testify. At no point did the Department refuse to appear.

On the Secretary's behalf, the Department regrets any miscommunication that occurred, and I assure everyone that it is this Department's practice, responsibility and priority to appear before this and other committees of the Congress when requested. It is my understanding that HUD has accepted all requests for testimony in the last 5 years.

Next, I want to be clear that, consistent with Acting Director Garratt's testimony, HUD has been working very closely with the Federal Emergency Management Agency (FEMA) to get housing assistance to those who have been displaced and uprooted by these hurricanes. This partnership, along with those with USDA, VA, HHS, and others, demonstrates a dedication to providing housing assistance. Some of the best examples of these partnerships are the Katrina Disaster Housing Assistance Program (KDHAP), programs that provide multiple types of temporary federal housing, the Joint Housing Solutions Center, and the numerous times we joined with other Departments to brief staff and Members of Congress in both the House and Senate.

The Katrina, Rita and Wilma disasters have thoroughly tested all of us, and the President has directed federal agencies to adapt to the extraordinary challenges presented by one of the most extensive disasters in this Nation's history. Within the limits of the law, we are working with FEMA and other agencies to get assistance of all kinds to those most in need.

Immediate Actions Taken by HUD:

I will now address the steps HUD took in the days before and the weeks immediately following Hurricane Katrina's devastation of the Gulf Coast.

Prior to Hurricane Katrina's landfall, Secretary Jackson directed the establishment of a working group to prepare for possible problems related to the hurricane. When the level

of destruction caused by Katrina was understood, Secretary Jackson directed the establishment of HUD's Hurricane Recovery and Response Center (HRRC).

This emergency management center served as a command post for HUD efforts and was staffed with housing professionals from every program office including Housing, Public and Indian Housing, Community Planning and Development, General Counsel, and Public Affairs. The HRRC reported directly to the Secretary and operated at HUD Headquarters. Shortly after being established, this management center directed the HUD field offices to conduct a nationwide survey of vacant rental housing units in HUD and FHA housing programs. This effort identified over 20,000 units of multifamily housing that were made available to displaced families through FEMA starting on September 5th.

In addition to the work being done in HUD offices across the country, during the first two weeks following Katrina almost 100 HUD volunteers were deployed to disaster recovery work in the Gulf Coast region. Some worked closely with FEMA and supported their response effort, while others worked independently as part of HUD to provide answers to longer-term temporary housing needs. These HUD specialists brought years of experience in reconstruction and community planning. Many had previously volunteered in other disaster relief efforts.

The HRRC was an effective communication tool during the emergency phase of the disaster, as all HUD program offices were together in one location. As we moved forward into the recovery and rebuilding stage, the Secretary and Deputy Secretary established, on December 5th, HUD's Assistance and Recovery Team (HART), which consists of senior HUD Officials who will serve as Senior Advisors to the Secretary and Deputy Secretary on matters related to the Department's hurricane response. This team is coordinating all HUD deployment with FEMA ensuring that program offices are fulfilling their mission as well as coordinating policy decisions.

HUD also joined with FEMA to establish the Joint Housing Solutions Center, located in Baton Rouge. The Joint Housing Solutions Center focused on combining federal resources with private sector, nonprofit and faith-based efforts. These resources were then provided to the local and state governments and the community stakeholders in their efforts to recover the homes damaged or destroyed by the Gulf Coast hurricanes. Responding to concerns about the living conditions in temporary travel trailer communities, the JHSC developed plans for Transitional Communities where the temporary trailer communities' design is consistent with a supportive neighborhood structure. The footprint of these communities and the utilities and streets developed can support permanent affordable housing when the temporary trailers are removed.

Governor Barbour in Mississippi endorsed the Transitional Community design, and all temporary trailer facilities in that state will utilize the Transitional Community concept. The JHSC continues to be a vehicle for bringing together a broad array of resources and focusing them on longer-term recovery planning.

HUD worked with organizations that set up "one-stop" centers in major shelters across the nation such as Reunion Arena and the DC Armory. These centers allowed HUD officials to meet with displaced individuals eligible for HUD assistance to determine how HUD could assist them in finding more appropriate temporary housing or permanent housing in the host city. In the first weeks after Katrina, HUD placed nearly 10,000 families in subsidized units working through these centers. HUD offices in at least 20 cities across the country continue to serve evacuees.

On September 12, 2005, an Interagency Agreement (IAA) was signed between HUD and FEMA. The IAA set forth the conditions and a protocol for the transfer of HUD Real Estate Owned (REO) properties held off the market and made available to FEMA for displaced families. This agreement identified and made available 5,600 single-family (HUD owned) homes within a 500-mile radius of the Gulf Coast, and hundreds of families have already made these homes their new temporary residences.

Also, Secretary Jackson reached out to the United States Conference of Mayors (USCM) and the National Association of Counties (NACo) to seek their support in coordinating the identification of housing opportunities for the hurricane victims. All organizations have responded by establishing links on their websites for mayors, communities, and individuals to register housing assistance assets. The response to this call to action has been tremendous from across the country – including Detroit, Philadelphia, Allegheny County (PA), and Miami-Dade County -- that each housed over 1,000 displaced individuals.

Our efforts to respond to hurricane disasters have been extensive, and I will turn now to specific actions HUD's program offices have taken.

Actions by Program Offices:

Office of Community Planning and Development

HUD's Office of Community Planning and Development has issued waivers of more than 40 requirements in an effort to increase the flexibility of our existing grant programs to be used within their current resources for disaster relief. A few examples are:

CPD reached out directly to Governor Blanco of Louisiana, Governor Barbour of Mississippi, and Governor Riley of Alabama to provide them support and flexibility to use their programs effectively and efficiently to meet the needs of communities destroyed by the hurricane. In response to a request from Governor Blanco, we have issued a series of waivers in the HOME program that include self-certification of income, elimination of the match requirement, and greater flexibility in the use of HOME and American Dream Downpayment Initiative funds to help low-income Louisianans receive tenant-based rental assistance, and rehabilitate and buy homes. These waivers also offer the same flexibility to Governor Barbour, and Governor Riley. Beyond these efforts with the HOME program, we have issued a series of waivers for the Community Development

Block Grant Program, the Emergency Shelter Grants program, and the Housing Opportunity for Persons with AIDS (HOPWA).

Office of Housing

In the Office of Housing, FHA initially urged approved lenders to provide forbearance to FHA borrowers displaced by the storm and unable to make regular monthly payments. HUD took the lead in providing the first 90-day foreclosure relief for FHA borrowers in Presidentially Declared Major Disaster Areas impacted by Hurricanes Katrina, Rita and Wilma. On November 22, 2005, Secretary Jackson and I extended foreclosure moratoriums, in those counties declared eligible for individual assistance as a result of Hurricanes Katrina and Rita, an additional 90 days to February 28, 2006. The extended foreclosure relief will provide mortgagees additional time in which to confirm the mortgagor's intention and ability to repair the home, resume regular mortgage payments and retain homeownership.

Earlier this month, the Department announced an additional homeownership retention initiative to help homeowners with FHA-insured mortgages who live or work in Presidentially declared Major Disaster Areas approved for individual assistance as a result of Hurricanes Katrina, Rita or Wilma and who are unable to maintain mortgage payment obligations due to hurricane related property damage, curtailment of income or increased living expenses. Under the initiative, FHA will advance mortgage payments for up to twelve months for eligible borrowers who are committed to continued occupancy of their homes as a principal residence and are expected to have the financial capacity to repair storm damage and resume making full mortgage payments within a twelve-month period. This unprecedented mortgage relief is expected to help up to 20,000 families seriously impacted by the hurricanes to retain homeownership while they concentrate on repairing their homes and finding jobs.

In September, the President proposed the creation of a new Homesteading program to assist families displaced by Hurricane Katrina in the states of Alabama, Louisiana and Mississippi to return to their states and have an opportunity to own a home. Recently introduced in both the House and Senate, this legislation would allow low-income families who were displaced from their residences in the designated disaster areas to return to their States, areas, or communities, by providing homeownership opportunities. The program would assist in the rebuilding of neighborhoods that were damaged by Hurricane Katrina through strategies that promote homeownership opportunities. The President's proposal would also maximize the use of existing Federal resources to assist State and local governments in providing homesteading and other homeownership opportunities in the designated disaster areas.

In addition Secretary Jackson personally encouraged lenders to undertake actions such as mortgage modification, refinancing, and waiver of late charges for those in the Katrina disaster area and to refrain from reporting derogatory credit information to credit bureaus.

Office of Public and Indian Housing
The Office of Public and Indian Housing has issued guidance to the Nation's more than 3,000 Public Housing Authorities (PHAs) on how to assist displaced public housing residents. HUD's Guidance and Q and As for PHAs and public housing residents are posted on HUD's website. This document, titled "Guidance for Public Housing Agencies in Assisting Families Displaced by Hurricane Katrina," has also been distributed to all PHAs, HUD Field Office Directors and to HUD's Field Policy and Management staff (Regional Directors, Field Office Directors, etc).

HUD's Katrina Disaster Assistance Program is providing housing vouchers for: (a) evacuee households that were previously receiving public housing assistance, and (b) evacuees who were homeless prior to the hurricane. Details include:

- Individuals and households must register with FEMA and be determined ineligible for FEMA assistance. FEMA will transfer appropriate registrant qualification data and authorized Stafford Act funds to HUD for this program.
- Displaced families, including former HUD assisted evacuees, who do not qualify for other assistance – such as FEMA IHP grants or homeowners insurance – can qualify for HUD's Katrina Disaster Housing Assistance Program
- Housing assistance will be administered through the established network of local public housing authorities across the country.
- Eligible individuals and households may contact local housing authorities nationwide to participate in this program. Participants will receive housing vouchers that can be redeemed for both public and private housing units in any community at the discretion of the participant.
- Vouchers will be calculated at 100 percent of the fair market rent in any community that an evacuee selects.
- Eligible evacuees may receive rental assistance payments for up to eighteen months.
- The effective date for the program is Monday, September 26, 2005.

In September, HUD presented a satellite broadcast for the public and assisted housing industry, interest groups, and field offices on HUD's Hurricane Katrina disaster response, including remarks by Secretary Alphonso Jackson and me. The broadcast outlined the various actions HUD has taken at both the headquarters and field office level since the beginning of the disaster. The key component of the broadcast was the unveiling of the Katrina Disaster Housing Assistance Program (KDHAP), as part of the broader HUD-FEMA transitional housing initiative. KDHAP eligibility, PHA responsibilities, and payments were explained. HUD has also posted detailed guidance to PHAs on this program on its website.

On October 5th, HUD released interim operating procedures for KDHAP to provide up to 18 months of temporary rental housing to tens of thousands of families displaced by Hurricane Katrina. HUD and the network of public housing authorities jointly administer KDHAP. Nearly 15,000 families are currently receiving rental assistance through KDHAP. In taking on district functions from FEMA for meeting housing need, HUD has recognized that restoration and recovery do not mean that person previously living

without homes - especially those who also meet the definition of chronically homeless - should be returned to homelessness. HUD has an opportunity here to identify its actions to meet both the goal of responding to Katrina and also meet goals related to homelessness.

HUD has now verified which vacant public housing units are in livable condition and available for housing evacuees. Field office staff contacted every public housing agency in the Nation to identify: the number of public housing units currently available, those that could be made ready for occupancy in five to seven days, and available vouchers. HUD has identified over 39,000 vacant public housing units and available vouchers nationwide.

All physical inspections of both public housing and multifamily properties in the impacted counties in Mississippi, Louisiana, Alabama, and Florida have been postponed.

HUD's Office of Native American Programs (ONAP) has consulted with all Native American Tribes that were affected by Hurricane Katrina. The Chitimacha Tribe of Chareton, LA and the Tunica-Biloxi Tribe of Marksville, LA are now housing displaced tribal families evacuated from New Orleans and destroyed areas of Mississippi. The Chickasaw Nation Housing Division, located in Ada, OK, is housing displaced families in various sections of their service area, most of whom are not tribal members.
An on-site inspection of the damage to tribal areas in Louisiana was conducted on September 19, 2005. The on-site inspection conducted in the MOWA Band of Choctaw area was completed on September 14, 2005.

Indian Community Development Block Grant (ICDBG) Imminent Threat (IT) funds in the amount of $2.4 million are currently available for distribution to tribes affected by Hurricane Katrina. Requests are currently being processed for each tribe in need of assistance in the amount of $425,000 per tribe. These funds become available on a first-come, first-serve basis as soon as the request is received and approved by HUD.

ONAP is also in the process of publishing Q and As on Native American programs for Tribes and Tribally Designated Housing Entities. This will be made available on the HUD website in the first week of October.

Section 8 administrative fees set aside for emergencies ($1.3 million) can be used for any administrative cost related to the Section 8 Program, including services to dislocated residents, staffing, the purchase of equipment and office furnishings and/or overtime for staff. These funds may not be used for vouchers and are available after an assessment of the requesting Housing Authority's needs and requirements.

The Public Housing Capital Fund has a Reserve for Emergencies and Natural Disasters in the amount of $29.7 million for FY 2005. These funds can only be used to repair and replace existing public housing that was directly impacted by Hurricane Katrina. PHAs must submit applications to HUD for these funds.

The Housing Authority of New Orleans (HANO) received a $21,804,000 grant from the Capital Fund Reserve for Emergencies and Natural Disasters, which was approved on September 28, 2005This request was for a preliminary grant until a full assessment of the damage and cost to repair and/or replace its public housing inventory is completed. These funds will be primarily used to:

- Make minimal repairs to 4 properties to make them habitable.
- Secure uninhabitable properties.
- Pay relocation costs for displaced families.

PIH awarded a contract for general disaster assistance within three days of the hurricane. The contract covers:

- Assessment of damage.
- General assistance to HUD staff, PHAs, and residents.
- Assistance in facilitating communication and transportation among HUD and PHA staff and other service providers.
- Assistance in identifying and coordinating temporary shelter for flood victims.
- Assistance in coordinating social services and other special needs activities for elderly, disabled and others.
- Assistance in facilitating space to coordinate HUD response activities.
- Other emergency activities as identified by site visits.

PIH set up two hotlines within days of Hurricane Katrina:

- The first hotline is for PHAs to verify the status of persons claiming to be displaced public housing residents or voucher holders.
- The second hotline is for public housing residents or voucher holders that need assistance and information on available public housing.

HUD assisted the Housing Authority of New Orleans (HANO), which has been under HUD receivership for several years, in quickly setting up headquarters operations in Houston, and a satellite office in Dallas. HUD worked closely with the Houston Housing Authority, which provided extensive facilities and assistance to HANO. HANO was able to set up a booth in the Astrodome to process HANO residents and voucher holders within the first week.

HUD is currently assisting HANO with finding temporary and permanent housing for HANO residents and voucher recipients. As of October 5, 2005, 2,238 HANO families had been confirmed as either public housing or housing choice voucher participants. Out of that number of HANO-verified families, 1,017 have acquired permanent housing in the Dallas/Ft Worth (879) area and Houston (138).

The HANO Receiver reports that HANO currently has 23 staff working from the Fisher Community Center in the Algiers section of New Orleans on damage assessments of public housing. The goal is to have 100 HANO staff working there by the end of October.

Notice of a blanket waiver process has been posted on HUD clips and was published in the Federal Register on October 3, 2005. The PIH waivers will facilitate the administration of properties in the Hurricane Katrina declared disaster areas and relieve (PHAs) affected by the hurricane or assisting in hurricane relief of numerous administrative requirements. In all, 23 items can be suspended or requested for expedited waiver. Waivers include such items as: the granting of time extensions for submitting verification information, the use of previous year Public Housing Assessment System scores for certain PHAs, the deferral of Section Eight Management Assessment Program requirements for one year and the lifting of cost limitations for public housing until new total development costs are published. An expedited electronic submission system has been set up to receive notifications and requests.

Center for Faith-based and Community Initiatives

The Center for Faith-based and Community Initiatives has been an active participant with the rest of the Department in responding to the hurricanes. The Center participated in the Department's post-Katrina Hurricane Meetings and continues its contribution as a member of the HART team, noted above. It published on the web and in hardcopy the Disaster Recovery Toolkit, mentioned previously. It has expanded its affordable housing pilot project to include Houston and Tampa. The Center holds weekly teleconference calls with HUD's ten regional faith-based and community liaisons, to better coordinate the Center's national resources and disseminate relevant information from the daily HART calls. The calls serve as a forum in which to exchange information about successful local public-private partnerships to assist evacuees, and to help the liaisons prepare their local faith-based and community organizations for assisting those evacuees who will have to leave their current locations for more permanent housing once FEMA subsidization of hotel lodging comes to an end.

The Center has also contacted nearly 20,000 faith-based and community organizations to recruit their engagement in the Department's KDHAP enrollment efforts. The Center's Region IV Regional Faith-based and Community Liaison has been detailed to the Joint Housing Solution Center in Baton Rouge, in order to engage faith-based and community organizations in constructing or rehabilitating 60,000 units of housing. That regional liaison also spearheaded an innovative, comprehensive approach to securing housing, furnishing, employment and transportation for evacuees establishing new domiciles, in conjunction with the National Association of Real Estate Brokers, its Women's Council, and other faith-based and community organizations. The Center is studying ways of replicating this model wherever groups of temporarily housed evacuees may relocate.

Conclusion:

These are among HUD's initial responses to the housing needs created by the hurricanes. In the Administration's supplemental funding request additional funds would be provided for longer-term housing needs and community reconstruction. These include $1.5 billion for CDBG, $200 million for the Homestead Initiative, $70 million for the HOME

account, and $50 million for SHOP. The Administration's request includes funding for the KDHAP program to continue that transitional housing support through May of next year.

Finally, I want to say a word about the 85 HUD employees previously located in our New Orleans Field Office. I am both relieved and pleased to say that we have been in close contact with all of them over these last three months. I am proud to report that by the end of January, at least 34 New Orleans Field Office staff will have returned to work in the New Orleans office. Their courage and tenacity are inspirational. But I have to say that the dedication and commitment of the entire HUD family to assist those in need has been equally inspirational.

We are prepared to respond to your questions.

Multifamily Housing

* HUD conducts National Survey that identifies over 20,000 vacant apartments that participate in either HUD or FHA programs. In the first weeks following the disaster, HUD uses these units to provide Housing for 9,039 families.
* Almost 100 HUD volunteers are deployed to disaster recovery work in the Gulf Coast, bringing years of housing experience to the victims and their communities.
* HUD provides forbearance to multifamily owners and conducts meetings with those owners to access damage and develop strategies for recovery.
* Initial assessments indicate there are 195 HUD or FHA related affordable housing projects with moderate to severe damage from Katrina.
* Strong relationships with apartment owners and their trade groups allows HUD to facilitate discussions with FEMA in developing plans to house tens of thousands of displaced families that are moving out of shelters, hotels and the homes of family and friends.
* HUD joins with FEMA to establish the Joint Housing Solutions Center in Baton Rouge. The JHSC combines all resource, public and private, to focus on disaster relief.

FHA's Mortgage Assistance Initiative

* Variation of HUD's Foreclosure Avoidance Initiative, which makes up to 12 mortgage payments on the mortgagor's behalf.
* Provides homeownership retention for 20,000 FHA mortgagors.
* Eligible mortgagors have properties that sustained disaster related damage that is being, or will be, repaired.
* Provides cash flows for the servicing mortgagees, which will enhance their ability to invest in new FHA mortgages in the Gulf region.
* Use of the Mortgage Assistance Initiative will save Insurance Funds for the Department.
* Funded entirely from FHA program premiums, leaving no cost to tax payers or other federal programs.

FHA Foreclosure for Moratorium

Foreclosure Moratorium:

a. The Department extends an automatic 90- day moratorium on foreclosure whenever the President issues a disaster declaration.

b. The moratorium is for all foreclosures in process as well as for beginning any new foreclosure actions.

c. Because of the extreme destruction that followed hurricanes Katrina, Rita and Wilma, the Department extended the moratorium for an additional 90 days.

d. This additional time is needed to continue to reach out to mortgagors that had been temporarily relocated, resolve insurance claims and confirm if the mortgagor plans to rebuild.

FHA Section 203(h) Assistance

Section 203 (h) Mortgages [100% Financing] - All residents of the declared disaster areas are eligible for a Section 203(h) mortgage. This type of mortgage will benefit the mortgagor in the following ways:

a. No down payment. Most disaster victims have very little cash reserves.

b. Closing costs and prepaid expenses may be paid by the seller

c. The program is portable. A disaster victim wishing to re-locate to be closer to other family members has that option.

d. Applications for 203(h) are to be made within a year of the disaster declaration.

PIH Response to hurricane disasters

Within	Action
24 hours	• Implemented Continued Operations Protocol and established New Orleans Field Office in Fort Worth, Texas. • Mobilized HUD staff in Texas, Alabama and Mississippi to contact affected PHAs and began damage assessment.
48 hours	• Assisted HANO to establish operations out of both Houston and Dallas. • Began a national survey of PHAs to identify available public housing units and vouchers that could be made available to evacuees.
96 hours	• Issued detailed guidance on how to assist Katrina-affected families under HUD programs. • Issued first set of commonly asked Questions and Answers on disaster assistance. • Contract for general disaster assistance completed and contract staff deployed to Gulf area to assist PHAs in restoring operations.
1 week	• Identified and deployed several PIH staff as part of the Disaster Recovery Centers in Louisiana, Mississippi, Texas, Georgia and other states. • Established a toll-free Information Resource Center for HUD-assisted families to call and get information on disaster assistance. • Established a toll-free Technical Assistance Center for PHAs to call in to verify previous HUD assistance for affected families and to get answer on policy and technical issues related to HUD programs.

PIH Response to hurricane disasters

Within	Action
2 weeks	• Developed statutory language to grant Secretary authority to grant waivers and to cross program funding in order to meet needs of disaster victims.
3 weeks	• Developed high level proposal for new assistance program for previously assisted HUD families using FEMA funds.
4 weeks	• Secretary Chertoff and Secretary Jackson announced the Katrina Disaster Housing Assistance Program. • Satellite broadcast to PHAs on the new KDHAP program
5 weeks	• KDHAP program becomes operational. • Published Notice on statutory and regulatory waivers to be provided to PHAs affected by the disaster.
8 weeks	• Deployed 12 Katrina Disaster CA Teams with a total of 130 HUD staff to affected areas. • Mailed out 25,000 letters to eligible families to participate in KDHAP • Make 25,000 phone calls to eligible families to participate in KDHAP. • HUD approved three grants that exhausted the Reserve for Fiscal Year 2005 for New Orleans HA, Parish HA and Biloxi HA. • HUD approved and committed Indian Community
Last 24 hours	• Over 12,000 families have been processed in the KDHAP system and are in process of being assisted. • Since the issuance of the waiver notice on October 3, 475 requests /notifications have been received with a total of 460 approved.

Discussion Draft – Sept. 30, 2005

Helping Displaced Families Rebuild Their Lives – Housing and Asset-Building Challenges Beyond Emergency Shelter and Community Rebuilding

Executive Summary

by Jeffrey Lubell[1]

Even as we work to provide emergency shelter to families displaced by Hurricane Katrina and to rebuild devastated communities, it is essential that we address a third critical challenge: helping displaced families rebuild their lives, whether in the Gulf Coast or elsewhere. This is obviously not a disaster that can be met solely by providing families with emergency food and shelter in a close-by location until their homes can be rebuilt. There are neighborhoods that may not be habitable for a year or more. Numerous businesses have shut-down or relocated. While devastated areas are being rebuilt, displaced families need a way to not only survive but thrive. For many families, this will mean relocating to other cities that can provide housing and jobs.

Many of the displaced families that move to other cities in search of jobs and housing will want to return to their original homes as soon as their neighborhoods become habitable. Others will no doubt wait to return until they find a suitable job in their field. Still others may find that – having been displaced once by the hurricane – they do not want to uproot their families again and return to cities and towns that will remain a shadow of their former selves for years to come.

The Nation clearly ought to respect and support the choices of displaced families in this matter. The question is whether we currently have the right policies to do so. This paper provides an early exploration of this question, with an emphasis on housing and other policies to help families rebuild their asset bases.

Helping Displaced Families Relocate to other Cities

To help displaced families thrive while their communities are being rebuilt, assistance is needed to facilitate families' moves to other cities that can readily provide housing, jobs and other community amenities. Among other policy responses to consider are: emergency appropriations of Section 8 housing vouchers to help families afford the costs of private market rental housing in their new locations, job search and job training assistance to help adults find suitable jobs, and work supports such as low-cost child care to help impacted families replace the support networks previously available to them. Areas that experience a large influx of displaced families may also need assistance handling the increases in education, health care and other costs associated with the new residents.

Supporting Families that Choose to Return

In addition to the existing SBA loans and FEMA grants, "silent mortgages" should be offered to help homeowners rebuild their homes. Silent mortgages are deferred loans that require no repayment until the house is sold. Silent mortgages would allow families for whom regular monthly payments on a SBA loan would represent a hardship to afford the costs of rebuilding, while deferring repayment until funds are generated from a sale of the house. If the payment of interest were contingent on home price appreciation, families could be assured that the deferred interest will not eat up their equity in the house, preserving assets for the family's retirement or the children's education.

Even after their homes are rebuilt, many returning homeowners may find that their property values have declined sharply relative to pre-hurricane values. While property values will hopefully rebound once the economic bases of the communities are restored, the temporarily lowered property values may make it difficult for families to tap home equity to help their children afford the costs of college, to start a business, to improve their homes, or for any other of the myriad uses of such loans. Home equity loans issued on an expectation that property values will return to at or near their pre-hurricane levels could be of great assistance.

While a full examination of the tools needed to rebuild disaster-stricken areas is beyond the scope of this paper, it is clear that the construction of new, permanent and affordable homes for renters and owners will be needed, along with new subsidies to ensure that the rebuilt housing is affordable to residents across a range of incomes. Building on the lessons of past production programs, such assistance should be limited to a portion of the units of new mixed-income rental or homeownership developments. To the extent practical, procedures should also be put into place to preserve family choice by allowing families living in deeply subsidized units to retain their assistance should they choose to move to private market housing.

Supporting Families that Choose to Remain in Their Adopted Cities

To help families that wish to relocate to new communities move on with their lives, Land Banks should be established to purchase any land that relocating families own in the disaster areas. To minimize the loss of equity associated with temporary reductions in property values, these purchases should be either at pre-hurricane values or at post-hurricane values, with a conditional right to share in the benefits of any property value rebound that occurs between the time of purchase and final disposition by the Land Bank. If these Land Banks were also empowered to purchase the property of rental property owners or businesses that choose not to rebuild, and to handle environmental reclamation and the resolution of title problems, they could be powerful forces for the assembly, clearance, and resale of land to new owners, stimulating the redevelopment of devastated areas and facilitating the coordination and planning needed to rebuild communities, rather than just houses.

Many displaced families will also need downpayment assistance. Small downpayment assistance grants, combined with larger, silent second mortgages, could go a long way to helping relocating families purchase a home in their new communities.

Displaced renters will also need help settling into their new communities. Among other housing- and asset-related needs, such families may need help paying for a security deposit and first or last month's rent. They may also need help furnishing their apartments and securing reliable transportation to and from work. Families that previously lived in public or subsidized housing, and other displaced families with very low incomes, are likely to need ongoing assistance to afford the costs of rental housing in their new locations.

Helping Families Rebuild their Asset Bases

Many renters (as well as homeowners) have suffered losses of cars, furniture or other personal property that will not be reimbursed by insurance due to insufficient coverage or poor documentation of pre-hurricane possessions. Other families (again, both renters and homeowners) may need to dip into their personal savings to support their families as they struggle with the loss of pre-hurricane jobs and/or the support networks (e.g., child care provided by relatives or neighbors) they relied upon to facilitate work and keep their expenses under control.

Among other strategies to help displaced families rebuild their asset-bases are:

- Downpayment assistance to help families build assets through homeownership.
- Targeted savings incentives to match the regular savings of individuals impacted by the disaster.
- Funding to help poor hurricane victims living in subsidized housing participate in the Family Self-Sufficiency program, a promising HUD asset-building and self-sufficiency program administered by public housing agencies.

A useful companion to these policies would be expanded financial counseling services—including credit and bankruptcy counseling and financial and homeownership education—to help victims recover from their hurricane losses, regain financial well-being, and take better advantage of downpayment assistance.

Addressing Long-Standing Poverty

In his September 15th speech, President Bush promised to confront the long-standing poverty of New Orleans and other impacted areas with "bold action." To meet this challenge, we will need anti-poverty solutions that are both place-based (focused on helping the people living in a defined area, such as a poor neighborhood in New Orleans) and people-based (focused on helping families wherever they are).

The asset-building policies described above represent one critical component of a people-based anti-poverty approach. Subsidized child care, job training, transportation assistance and other work supports represent another important category.

It will also be important to consider that many poor displaced families – whether they stay in their adopted communities or return to their original ones – will be living in government subsidized housing. There are a number of promising approaches to promoting self-sufficiency among residents of subsidized housing, including the Family Self-Sufficiency program noted above, as well as the strategies employed in the Jobs Plus demonstration, a place-based initiative that sought to provide strong work supports to all adults living in particular public housing developments. If we hope to address the long-standing poverty of displaced residents, we will need to invest in these and other similar approaches that are tailored to promoting self-sufficiency among residents of subsidized housing.

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Hurricane Response Policy Options

"Silent" Mortgages to Help Families Rebuild or Relocate

Overview

"Silent" mortgages are mortgages that require no repayment of principal or interest until the house is resold. Silent mortgages could be a powerful tool for helping families displaced by Hurricane Katrina in at least two ways:

1. *Rebuilding Loans.* Homeowners that suffered uninsured losses could be provided with silent mortgages to cover the costs of rebuilding their homes. For families with existing mortgages, the new loan would be a silent second or third mortgage.

2. *Downpayment assistance.* Silent second mortgages could be a cost-effective way to provide downpayment assistance to help families displaced by the hurricane purchase homes in new locations or in their original communities, once they are rebuilt. Extending this assistance to all families impacted by the hurricane – including families that were renting at the time of the disaster – would provide a vehicle for helping displaced families rebuild their depleted asset-bases. It would also provide a downpayment on a policy response to the long-standing poverty of many families impacted by the hurricane.

Contingent interest. In addition to being deferred until resale of the home, the interest on these mortgages should be contingent on the home appreciating beyond its pre-hurricane value (for rebuilding loans) or its purchase price (for downpayment assistance). This will ensure that the deferred interest does not eat up the family's equity in the house, preserving assets for the family's retirement or the children's education.

Justification

Rebuilding Loans. Many property owners will have uninsured losses due to the lack of property and/or flood insurance, inadequate amounts of insurance, or policy limitations or exclusions.

At present, the primary tools available to help such families rebuild their homes are loans from the Small Business Administration (SBA) and grants from FEMA. While both of these tools are useful, they are unlikely to be sufficient to meet the full range of families' needs.

According to information on the FEMA and SBA websites, the primary rebuilding tool to help homeowners with uninsured property losses is a loan from the SBA. While lower income families may receive a reduced interest rate on these loans, the monthly payments on these loans may still represent a hardship for many families, particularly those with elderly or disabled heads of household. Many low- and middle-income working families may also find it challenging to repay these loans, especially if they have other mortgage debt. It is not entirely clear at this point whether FEMA rebuilding grants will be provided to everyone or (as suggested by the websites) only to households with the lowest incomes, but in any event, such grants are limited in size and unlikely to be adequate to cover the full costs of rebuilding destroyed homes.

Silent mortgages provide an additional tool that can help property owners with uninsured losses rebuild their homes without being burdened with monthly loan payments. Relative to grants, silent mortgages with contingent interest also limit government costs by providing for the repayment of funds extended (plus interest, to the extent covered by home price appreciation).

Downpayment assistance. In addition to helping homeowners rebuild their homes, silent second mortgages can help displaced families purchase homes in new locations. Such families fall into two main categories:

- Displaced families that choose to stay in the cities to which they have relocated and need help purchasing a home; and

- Displaced families that wish to move back to their original town or city, but have no home to go back to, such as a renter whose rental unit has been destroyed.

This assistance will help meet several pressing needs. First, it will help provide long-term shelter for displaced families. Second, it will give displaced families (including renters) a vehicle – homeownership – to rebuild the asset bases on which

their future financial success depends.[1] Finally, it represents a good first step in addressing the persistent poverty of many hurricane victims highlighted by President Bush in his September 15, 2005 speech.

Illustrations

- *Rebuilding.* A family with a home worth $150,000 and an outstanding mortgage of $50,000 loses its home due to damage inflicted by Hurricane Katrina. Insurance covers only half the $100,000 rebuilding cost. A silent second mortgage for $50,000 would help the family rebuild its home without burdening it with additional monthly payments.
- *Downpayment assistance.* A family displaced by Hurricane Katrina decides to purchase a home in Houston. The home costs $125,000. Combining a $3,000 downpayment grant with a $22,000 silent second mortgage will allow the family to put 20 percent down on its new home.
- *Contingent interest.* Assume a family receives a $50,000 silent second mortgage to help rebuild a home valued at $150,000 before the Hurricane. Further assume that when the family is ready to move and sells its home, the sale price is $160,000 and the amount of deferred interest is $15,000. The family's interest payments are capped at $10,000 ($160,000 minus $150,000).

[1] Both renters and owners will have uninsured losses of personal property (such as cars and furniture) due to the lack or inadequacy of insurance or an inability to demonstrate pre-disaster ownership and valuation. Many families will also suffer depleted savings due to the loss of a job or work support (such as child care provided by a neighbor). As is the case with home damage, SBA loans and FEMA grants are available to help families recover from uninsured losses of personal property. While these tools are useful, they are again likely to be insufficient. The FEMA grants are limited in scope, and the repayment of the SBA loans may represent a hardship for many families.

Hurricane Response Policy Options

"Land Banks" to Facilitate Rebuilding, Resettlement and Asset Preservation

Over the years, Land Banks have been successfully established in a number of communities to facilitate the productive re-use of vacant, abandoned, or tax-delinquent properties.[2] While the situation is obviously not identical, Land Banks have a lot to offer as a model for rebuilding communities destroyed by Hurricane Katrina. Land Banks also offer a vehicle for helping to facilitate the resettlement of displaced families in new communities and to minimize the loss of equity by homeowners, owners of small rental properties, small business owners and others associated with temporary reductions in property values due to the hurricane.

Rebuilding Communities

In line with the traditional purpose of Land Banks, Land Banks established in areas impacted by Hurricane Katrina could be used to facilitate the assembly, clearance, and resale of land to new owners, stimulating the redevelopment of devastated areas and facilitating the coordination and planning needed to rebuild communities, rather than just houses. Specifically, Land Banks could:

- Purchase the land of families that choose to relocate to other cities or other parts of their original towns or cities.
- Purchase the property of rental property owners or businesses that choose not to rebuild.
- Handle environmental reclamation and the resolution of title problems.
- Hold, manage, lease and resell properties to help the community accomplish its rebuilding vision.

In general, communities should be able to develop their own visions for the disposition of land purchased by the Land Banks. To the extent federal funds are used to underwrite the costs of the Land Banks, however, it may make sense to specify certain minimum standards, such as the inclusion of a strong affordable housing component.

Rebuilding Lives

While many displaced families will choose to return to their original homes, others may choose to settle in the communities to which they have relocated. Still others may choose to return to their original area, but in a different part of town, perhaps further away from the shoreline. To the extent that relocating families own land in an area impacted by the Hurricane, they may find it difficult to purchase a new home elsewhere. Land Banks provide a vehicle for helping these families move on with their lives, while simultaneously assembling land for redevelopment.

Land Banks can also offer a vehicle for helping to preserve property owners' pre-hurricane equity, which for many families – including low-income families – may represent their principal (or only) source of assets. To accomplish this goal, the purchases of land from individual property owners should either be at pre-hurricane values or at post-hurricane values, with a conditional right to share in the benefits of any property value rebound that occurs between the time of purchase and final disposition by a Land Bank.

If the latter approach is taken, shares could be issued to families that sell their properties to a Land Bank giving them a right to a portion of any "profit" generated by the ultimate disposition of property acquired by the Land Bank. Families' recoveries would be in proportion to the pre-Hurricane values of their homes.

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[2] A useful guide to Lank Banks is provided in Frank S. Alexander, LAND BANK AUTHORITIES: A Guide for the Creation and Operation of Local Land Banks. New York, NY: Local Initiatives Support Corporation, 2005.

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Hurricane Response Policy Options

Addressing the Long-Standing Poverty of Displaced Families

In his September 15th speech, President Bush promised to confront the long-standing poverty of New Orleans and other areas impacted by Hurricane Katrina with "bold action." As the government works to deliver on the President's pledge, it will be important to remember that, while some displaced families will return to their previous homes, others will choose to stay in their new locations. This means we will need anti-poverty solutions that are both place-based (helping people living in a particular area) and people-based (helping families wherever they are).

Fundamental to both place- and people-based anti-poverty approaches are strategies to help families build assets. Families rely on their assets not only to weather disasters, but also to pay for college or technical training, to purchase a home that provides long-term shelter and equity-building opportunities, to carry them through periods of unemployment, to deal with unexpected health care costs, to pay for retirement, and to meet other ongoing needs.

Among other strategies to help displaced families build (or rebuild) their asset-base are:

- Downpayment assistance to help families build assets through homeownership,[3] combined with funding for homeownership education to help prepare families for homeownership and homeownership retention strategies to help minimize defaults. For the truly poor, additional tools – such as the use of Section 8 vouchers for homeownership – will also be needed.

- Targeted savings incentives[4] to match the regular savings of individuals impacted by the disaster. Especially if augmented by financial education, such incentives would help impacted families rebuild their savings, while simultaneously building the financial skills and savings habits necessary for long-term financial stability.

- Funding to help poor hurricane victims living in subsidized housing participate in the Family Self-Sufficiency (FSS) program, a promising HUD asset-building and self-sufficiency program administered by public housing agencies. FSS is uniquely suited to helping poor unemployed and underemployed individuals build assets and make progress toward self-sufficiency and homeownership. It works by combining stable affordable housing with case management to help families access needed services in the community and a strong financial incentive for families to increase their earnings in the form of an asset-building escrow account.[5]

In addition to these asset-building approaches, an overall self-sufficiency strategy must include subsidized child care, job training, transportation assistance and other work supports. For these strategies to be effective, they will need both adequate funding and effective coordination and oversight to ensure that families' needs are met in an efficient, coordinated manner.

Finally, it will also be important to consider that many poor displaced families – whether they stay in their adopted communities or return to their original ones – will be living in government subsidized housing. There are a number of promising approaches to promoting self-sufficiency among residents of subsidized housing, including the Family Self-Sufficiency program noted above, as well as the strategies employed in the Jobs Plus demonstration, a place-based initiative that sought to provide strong work supports to all adults living in particular public housing developments.[6] If we hope to address the long-standing poverty of displaced residents, we will need to invest in these and other similar approaches that are tailored to promoting self-sufficiency among residents of subsidized housing.

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[3] Our recommended approach to downpayment assistance is described in a separate issue brief.

[4] Proposed legislation in the Senate (the CARE Act, which incorporates the Savings for Working Families Act of 2005) would authorize a tax credit for Individual Development Accounts – a form of matched savings that has been used successfully for more than a decade to help families build assets. Another (complementary) approach, proposed by the New America Foundation, would be to provide a refundable tax credit for hurricane victims that could be used only for specified savings purposes. Additional information on these savings strategies is available from the Corporation for Enterprise Development and the New America Foundation.

[5] For more information on FSS, see www.fsspartnerships.org.

[6] For more information on Jobs Plus, see http://www.mdrc.org/publications/405/overview.html.

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Helping Displaced Families Rebuild Their Lives – Housing and Asset-Building Challenges Beyond Emergency Shelter and Community Rebuilding

by Jeffrey Lubell[1]

In the wake of Hurricane Katrina, relief efforts have properly focused on providing immediate emergency assistance to displaced families. Clearly, the first priority is to ensure that families displaced by the Hurricane have food and shelter. At the same time, many individuals and agencies are beginning to consider how to rebuild New Orleans and other disaster-stricken areas – a huge challenge that will require both a massive commitment of government funding and careful planning and creative problem-solving. If it is to succeed, a rebuilt New Orleans must not only be able to withstand future hurricanes, but also be a first-rate, well-designed city that meets the needs of its residents and succeeds in attracting businesses and visitors.

There is a third challenge that overlaps with the first two, but is equally important: helping displaced families rebuild their lives, whether in the Gulf Coast or elsewhere. As with the other challenges, this challenge is both similar to those this Nation has faced in the past – disaster victims often need help rebuilding their homes and restoring their possessions – but also different, both in scale and in nature. This is obviously not a disaster that can be met solely by providing families with emergency food and shelter in a close-by location until their homes can be rebuilt. There are neighborhoods such as St. Bernard Parish that experts predict may not be habitable for a year or more. Parts or rural Louisiana and Mississippi may not be rebuilt for three years or more. Numerous businesses have shut-down or relocated. While New Orleans and other devastated areas are being rebuilt, displaced families need a way to not only survive but thrive. For many families, this will mean relocating to other cities that can provide housing and jobs.

Many of the displaced families that move to other cities in search of jobs and housing will want to return to their original homes as soon as their neighborhoods become habitable. Others will no doubt wait to return until they find a suitable job in their field. Still others may find that – having been displaced once by the hurricane – they do not want to uproot their families again and return to cities and towns that will remain a shadow of their former selves for years to come. Early confirmation of this point comes from a survey of New Orleans evacuees living in Houston shelters, which found that fewer than half planned to move back to New Orleans.[2]

The Nation clearly ought to respect and support the choices of displaced families in this matter. The question is whether we currently have the right set of policies to do so. This paper provides an early exploration of this question, with an emphasis on housing and other policies that help families rebuild their asset bases.

Helping Displaced Families Relocate to Other Cities

In most disaster situations, on-site or near-site temporary housing is used to provide shelter to affected families until their homes can be rebuilt. This solution makes sense as it ensures that families are able to stay near their places of work, as well as relatives, friends and their surrounding community. In cases in which an entire neighborhood or community has been destroyed or nearly destroyed – where jobs and support networks no longer exist – the standard solution may actually be counterproductive. The construction of vast trailer cities near New Orleans, as was reportedly being contemplated in the early phases of the recovery effort, could trap families in an area without jobs, schools or adequate community supports and create the next generation's ghettos. Even if FEMA moves toward smaller trailer parks, as now appears to be the case, the purchase and installation of hundreds of thousands of trailers, along with the construction of schools, hospitals and other institutions needed to support families until their communities can be rebuilt, could consume billions of dollars that are desperately needed for long-term rebuilding efforts.

A better solution would be to facilitate families' moves to other cities that can readily provide housing, jobs and other community amenities. Among other policy responses to consider to help families relocate successfully are: emergency appropriations of Section 8 housing vouchers[3] to help displaced families afford the costs of rental housing they locate in the private market in their new locations,[4] job search and job training assistance to help adults find (or acquire the skills necessary to obtain) suitable jobs, and work supports such as low-cost child care to help impacted families replace the

support networks available to them before Hurricane Katrina. Areas that experience a large influx of disaster victims may also need assistance handling the unexpected increases in education, health care and other costs associated with the new residents.

Supporting Families that Choose to Return to Disaster Areas

Under the standard disaster protocol, families are encouraged to return to their homes and provided with low-cost loans (through the Small Business Administration (SBA)) to cover the costs of replacing their belongings and/or repairing their homes, to the extent such losses exceed insurance recoveries. Most displaced persons with qualifying losses are eligible for loans at the government's costs of funds, with some families eligible for even lower interest rates. The rules also authorize FEMA to provide grants for families that cannot afford a loan.

Though most assisted families will be strapped with a loan that could take decades to repay, these existing policies appear to be a cost-effective way to help homeowners rebuild their homes and help families that lost possessions regain them. In light of the sheer number of affected families, however, and the associated costs of helping them rebuild, it is worth inquiring whether these existing policies are sufficient to meet the full range of families' needs. For example, to the extent that cost considerations limit qualification for the FEMA grant (as opposed to the SBA loan) for home repairs and reconstruction to the bare minimum of the poorest homeowners, many families – particularly those with elderly or disabled heads of household – may be required to take out loans whose repayment will represent a real hardship (even with subsidized interest rates). Many low- and middle-income working families may also find it challenging to repay these loans, especially if they have existing mortgages.

One option to consider for such families would be a deferred loan that requires no repayment until the house is sold,[5] with interest contingent on home price appreciation.[6] Such an approach, which is increasingly being used in affordable housing loan programs, would allow families for whom regular monthly payments on a loan would represent a hardship to afford the costs of rebuilding, while deferring repayment until funds are generated from a sale of the house. By making interest payments contingent on home price appreciation, such a loan ensures that the deferred interest does not eat up the family's equity in the house, preserving assets for the family's retirement or the children's education. Such a deferred loan can be issued as a primary mortgage or, if there is an existing mortgage, as a "silent" second mortgage.[7]

A further advantage of this approach is that it could help minimize the number of families that lose substantial amounts of pre-hurricane equity due to hasty sales. Families saddled with a rebuilding loan they believe they cannot afford may feel they have little choice but to rebuild and then immediately sell their homes. If significant numbers of families find themselves in the same boat, there could be a lot of inventory on the market at the same time, driving down sale prices. Sale prices could be further depressed by excess inventory resulting from families that choose to relocate permanently and sell their homes in disaster areas, as well as by a generally decreased demand for housing due to the weakened job base. A silent first or second mortgage would allow returning families that would have had difficulty repaying a SBA loan to continue living in their homes until property values return to at or near their former levels, or longer if they wish.

It remains to be seen whether property values in areas impacted by the hurricane will in fact decline relative to pre-hurricane levels and if so, for how long. The answer may well differ for different neighborhoods. (There could also be a run-up in prices immediately following reopening of a community, while sound housing is in short supply, but then a sharp decline once rebuilt housing comes online.) The answer could have profound impacts on families' asset-bases and, hence, their well-being. Assume, for example, that property values do decline significantly. To the extent that returning homeowners planned to use home equity loans to help their children afford the costs of college, to start a business, to improve their homes, or for any other of the myriad uses of such loans, they could find their ability to access such loans to be severely constrained for many years to come. This is because many families' home equity will have been reduced or even wiped out entirely by a decline in property values. Indeed, some families may find themselves in a negative equity situation, owing more on their homes than the homes are worth. Conceivably, the government could provide direct funding or loans for each of the typical uses for home equity loans. Alternatively, policymakers may wish to consider supporting a form of home equity loan for homeowners in disaster areas that bases the loan on an expectation that property values will return to at or near their pre-hurricane levels.

The above policy suggestions all assume that returning families will be able to find jobs that pay enough to support mortgages taken out based on pre-hurricane purchase prices and have the job (and

transportation) stability necessary to continue living in their homes long enough for property values to rebound. Not all returning families will be lucky enough to find jobs sufficient to support their pre-hurricane mortgages, and thus many homeowners will find themselves selling at a loss, and possibly being forced into bankruptcy. As others have argued, it will be important to ensure equitable treatment for families forced into bankruptcy by Hurricane Katrina.

While a full examination of the tools needed to rebuild disaster-stricken areas is beyond the scope of this paper, it is clear that the construction of new, permanent and affordable homes for renters and owners will be needed, along with new subsidies to ensure that the rebuilt housing is affordable to residents across a range of incomes. As an estimated 30 percent of families living in the counties impacted by the disaster have incomes below $20,000, the tools will need to include some form of "deep assistance," such as Section 8 project-based rental and homeownership assistance or an equivalent subsidy, that can bridge the gap between what families can afford to pay and the rent or mortgage costs of the rebuilt properties over the long term. Building on the lessons of past production programs, such assistance should be limited to a portion of the units of new mixed-income rental or homeownership developments. To the extent practical, procedures should also be put into place to preserve family choice by allowing families living in deeply subsidized units to retain their assistance should they choose to move to private market housing.[8]

Supporting Families that Choose to Remain in Their Adopted Cities

As noted above, some (and possibly many) displaced families will choose to stay in the new locations to which they have moved following the hurricane. Some of these families will have found good jobs they do not want to give up. Others will have formed new bonds with their adopted communities, be averse to disrupting their children's educations, or simply not want to uproot their families again. Still others may be concerned about future economic prospects in their old communities or unwilling to run the risk that disaster might strike again.

Whatever the rationale for their decision to stay in their new communities, these families deserve the Nation's support. It is unclear, however, whether our current disaster relief policies are sufficiently flexible to provide the necessary support for these families. For example, the SBA emergency home loan program is (understandably) focused principally on helping returning families rebuild their homes. While federal regulations authorize SBA to approve the use of loan proceeds for the purchase or construction of a home in a location other than the original one when the family has experienced a change in employment status (or when the original area is declared unsafe for rebuilding), it remains to be seen how SBA will apply these criteria in practice. Even if SBA permits maximum flexibility in the location where loan proceeds may be used, however, there will still be challenges that need to be addressed.

As we move beyond emergency relief designed to meet families' immediate needs, it will be important to consider what additional policies might be put in place to help support displaced families that choose to stay in their new communities. For example, policies may need to be established to help relocating families that own property in the disaster area manage that property in a way that maximizes its value as an asset, while minimizing interference with the relocating families' housing choices in their adopted cities. As the scenario described in the box below suggests, some families may feel forced to choose between selling their rebuilt property quickly, resulting in substantial equity loss, or delaying their home purchase in their new community for many years, until property values in the disaster area return to at or near pre-hurricane levels.

Among other options to consider to help families in this situation would be the creation of one or more Land Banks that could purchase the land of families that choose to relocate, either at pre-hurricane values or at post-hurricane values, with a conditional right to share in the benefits of any property value rebound that occurs between the time of purchase and final disposition by the Land Bank. If these Land Banks were also empowered to purchase the property of rental property owners or businesses that choose not to rebuild, and to handle environmental reclamation and the resolution of title problems, they could be powerful forces for the assembly, clearance, and resale of land to new owners, stimulating the redevelopment of devastated areas and facilitating the coordination and planning needed to rebuild communities, rather than just houses. A number of Land Banks have been successfully established over the years to facilitate the productive reuse of vacant, abandoned, and tax-delinquent properties. These models could and should be adapted to meet the unique needs of areas (and families) devastated by Hurricane Katrina.

Example

A displaced family owns a home in New Orleans that was totally destroyed by the hurricane. The family has moved to Houston and wishes to purchase a home there. The family has a $50,000 mortgage on its house in New Orleans and cannot afford to pay for two mortgages at the same time – one in New Orleans and one in Houston.

The property value of the family's New Orleans home before the hurricane was $175,000; due to reduced housing demand post-hurricane, the property value of the rebuilt house once the land becomes habitable is expected to be $125,000. The cost of rebuilding the house is $100,000, only half of which was reimbursed through insurance.

Under current policies, the family would be eligible for a SBA loan for $50,000: the total rebuilding costs less the $50,000 insurance recovery. This will help the family rebuild its home in New Orleans, but doesn't help the family afford a mortgage on a new home in Houston. Selling the New Orleans home immediately after it is rebuilt will give the family $25,000 in equity – enough for the downpayment on a home in Houston, but far less than the family's pre-hurricane equity of $125,000. If possible, the family would prefer to wait to sell the New Orleans home until property values recover, but doesn't know how to go about renting the New Orleans house from afar and does not want to delay its house purchase in Houston for the many years this would require.

Another policy tool needed to help support displaced families is downpayment assistance to help families purchase new homes. While some relocated families will have sufficient savings or residual equity to make the downpayment on a new home in their adopted cities, other families may need assistance. Small downpayment assistance grants, combined with larger, silent second mortgages, could go a long way to helping families purchase a home in their new communities. For example, a $3,000 grant for closing costs and/or downpayment, combined with up to $22,000 in a silent second mortgage would represent 20% of the purchase price of a $125,000 home or 10% of the purchase price of a $250,000 home. Conditioning interest on home price appreciation would again provide a cushion for families, helping to minimize the extent to which families may owe more on their loans than they realize when the house is resold, while ensuring that as much as possible of the government's costs of funds are met.

Displaced renters will also need help settling into their new communities. Among other housing- and asset-related needs, such families may need help paying for a security deposit and first- or last-month's rent (if required). Families may also need help furnishing their apartments and securing reliable transportation to and from work. Families that previously lived in public or subsidized housing, and other displaced families with very low incomes, are likely to need ongoing assistance to afford the costs of rental housing in their new locations. While some communities will be able to house such families in vacant units of existing public housing or other subsidized developments, other communities will need an influx of housing subsidies to meet these newcomers' needs, without shortchanging the needs of their existing residents. HUD and Congress will need to determine how to cover these ongoing costs, while at the same time ensuring that the disaster-stricken areas retain access to the subsidies needed to rebuild attractive, well-designed mixed-income communities.

Helping Families Rebuild their Asset Bases

The Nation's policies to help rebuild the asset bases of families affected by natural disasters tend to focus principally (though not entirely) on helping impacted homeowners rebuild their homes and restore their possessions. But homeowners are not the only individuals that have suffered asset losses due to the hurricane. Many renters (as well as homeowners) have suffered losses of cars, furniture or other personal property that will not be reimbursed by insurance due to insufficient coverage or poor documentation of pre-hurricane possessions. Other families (again, both renters and homeowners) may need to dip into their personal savings to support their families as they struggle with the loss of pre-hurricane jobs and/or the support networks (e.g., child care provided by relatives or neighbors) they relied upon to facilitate work and keep their expenses under control. Both groups of families are at risk of personal bankruptcy. Still other families have lost assets associated with a small business, which not only deprives them of income, but could (similarly) lead them into bankruptcy.

The depletion of the asset bases of hurricane victims is of serious concern in light of the important role that assets play in families' well-being. Families rely on their asset bases not only to weather disasters, but also to pay for college or technical training, to purchase a home that provides long-term shelter and equity-building opportunities, to carry them through periods of unemployment, to deal with unexpected health care costs, to pay for retirement, and to meet

many other fundamental needs. Even as we focus on meeting families' immediate needs for food and shelter, we need to consider how to help them rebuild the asset bases on which their future financial success depends.

As is the case with respect to damage to one's home, low-cost loans from the SBA and grants from FEMA are available to help families that suffer unreimbursed losses of personal property or the assets of a small business. But these loans will not cover all categories of loss – for example, depletion of savings as families struggle with unemployment or underemployment. Moreover, as may be the case with home loans, many families may be deemed ineligible for a FEMA grant but nevertheless have difficulty paying back the SBA loan. Unfortunately, there is no direct analogue to the deferred mortgage option as there is no eventual source of repayment for personal property loans analogous to the sale of a home.

There are, however, a number of policy options that could help renters as well as homeowners rebuild their asset bases without the hardship of a loan requiring monthly payback. Here are three:

- Offer downpayment assistance similar to that described in the previous section (a small grant for downpayment and/or closing costs combined with a larger silent second mortgage) to *all* families impacted by the hurricane, without regard to whether they were renters or homeowners at the time of the disaster. Expanding eligibility for downpayment assistance would allow renters to rebuild assets through the pay down of principal on a mortgage, plus any home price appreciation in excess of the deferred interest. It also would help to increase the homeownership rate in the rebuilt areas, deepening families' investment in their community, and provide the downpayment on a policy response to the long-standing poverty of New Orleans and other Gulf Coast communities.

  To maximize the value of downpayment assistance as an asset-building strategy for low-income families, it should be combined with funding for homeownership education to help prepare families for homeownership and homeownership retention strategies to help minimize defaults. For the truly poor, additional tools – such as the use of Section 8 vouchers for homeownership – will also be needed.

  While different from the President's Urban Homesteading proposal, downpayment assistance would serve a similar function – empowering low- and moderate-income families to become homeowners. Among other advantages, the type of downpayment assistance proposed in this paper would maximize families' choices to decide where to live and minimize costs to the government by providing for the eventual repayment of the assistance extended.

- Provide targeted savings incentives[9] to match the regular savings of individuals impacted by the disaster. Especially if augmented by financial education, such incentives would help impacted families rebuild their savings, while simultaneously building the financial skills and savings habits necessary for long-term financial stability.[10]

- Provide funding to help poor hurricane victims living in subsidized housing participate in the Family Self-Sufficiency (FSS) program, a promising HUD asset-building and self-sufficiency program administered by public housing agencies. FSS is uniquely suited to helping poor unemployed and underemployed individuals build assets and make progress toward self-sufficiency and homeownership. It works by combining stable affordable housing with case management to help families access needed services in the community and a strong financial incentive for families to increase their earnings in the form of an asset-building escrow account.[11]

These three asset-building policies are complementary in that they each address different (though overlapping) segments of the renter population. A useful companion to these policies would be expanded financial counseling services—including credit counseling, bankruptcy counseling, financial education and homeownership education—to help victims recover from their hurricane losses, regain financial well-being, take better advantage of downpayment assistance, and effectively plan for the future.

Addressing the Long-Standing Poverty of Hurricane Victims

In his September 15th speech, President Bush promised to confront the long-standing poverty of New Orleans and other impacted areas with "bold action." As the government considers how to deliver on the President's pledge, it will be important to remember (again) that many of the poor families

displaced by Hurricane Katrina will choose to stay in their new locations, rather than return to their previous homes. This means we will need anti-poverty solutions that are both people-based (focused on helping families wherever they are) and place-based (focused on helping the people living in a defined area, such as a poor neighborhood in New Orleans).

The asset-building policies described above represent one critical component of a people-based anti-poverty approach. Subsidized child care, job training, transportation assistance and other work supports represent another important category. For these strategies to be effective, they will need both adequate funding and effective coordination and oversight to ensure that families' needs are met in an efficient, coordinated manner with a minimal amount of red tape.

It will also be important to consider that many poor displaced families – whether they stay in their adopted communities or return to their original ones – will be living in government subsidized housing. There are a number of promising approaches to promoting self-sufficiency among residents of subsidized housing, including the Family Self-Sufficiency program noted above, as well as the strategies employed in the Jobs Plus demonstration, a place-based initiative that sought to provide strong work supports to all adults living in particular public housing developments.[12] If we hope to address the long-standing poverty of displaced residents, we will need to invest in these and other similar approaches that are tailored to promoting self-sufficiency among residents of subsidized housing.

Conclusion

Even as we address the immediate needs of hurricane victims for food and shelter, and begin planning for the physical rebuilding of New Orleans and other devastated Gulf Coast communities, we need to consider how to help families impacted by the hurricane rebuild their lives, wherever they may choose to live. Current disaster policies generally assume that displaced families will return to their original communities. While many victims of Hurricane Katrina may follow that pattern, others may choose to stay in their adopted communities. Policies are needed to support families that choose to stay in their new communities, as well as to help all impacted families rebuild the asset bases on which their future financial success depends.

Endnotes

[1] Jeffrey Lubell is the incoming Executive Director of the Center for Housing Policy, the research affiliate of the National Housing Conference. Mr. Lubell's position will be effective as of January 2006.

[2] The survey was conducted by The Washington Post, the Henry J. Kaiser Family Foundation and the Harvard School of Public Health. See "Some of the Uprooted Won't Go Home Again," by Richard Morin and Lisa Rein, Washington Post Staff (Friday, September 16, 2005).

[3] Under the Section 8 housing voucher program, families pay 30 percent of their adjusted income for rent and utilities, with the government covering the difference between what the family can afford to pay and the family's actual housing expenses (up to a locally-determined maximum). The program is funded by the U.S. Department of Housing and Urban Development and administered by state and local housing agencies.

[4] Shortly after the disaster, the Senate passed an amendment that would provide $3.5 billion in temporary Section 8 assistance; as of the date of this paper, this proposal has not yet been enacted into law. On Friday, September 23, the Administration announced plans to expedite the availability of rental reimbursements through FEMA and to make rental assistance available through HUD for certain families not eligible for FEMA assistance. While there are many important questions regarding how the Administration's new policy will be implemented, it clearly reflects an acknowledgement that significant numbers of displaced families will be renting housing in host cities throughout the country.

[5] Repayment could also be required once the head and spouse have passed away.

[6] Policymakers would need to decide whether to calculate repayment of interest on home price appreciation relative to pre- or post-hurricane levels. Assume, for example, that a home is worth $200,000, suffers $30,000 in unreimbursed damages due to the hurricane, and is worth only $150,000 immediately after it is repaired (due to reduced demand for the land). The policy question is whether the repayment of interest should be based on home price appreciation above $150,000 or above $200,000. Basing repayment on appreciation relative to the $150,000 post-hurricane value is the most cost-effective approach, while the use of the pre-Hurricane value of $200,000 is the most supportive of restoring families to their pre-hurricane condition.

[7] According to the September 27, 2005 edition of National Mortgage News, FHA plans to authorize servicers to advance up to 12 months of mortgage payments to homeowners in disaster areas that are temporarily unemployed or living in rental housing while their home is being rebuilt. As with the proposal advanced in this paper, these advances would be repaid when the home is sold – essentially treating them like a "silent" second or third mortgage. The main differences between the two policies relate to the purpose and size of the loans. The FHA plan is designed to help a family meet its monthly mortgage obligations for up to one year. The proposal advanced in this paper would provide a loan to help homeowners cover the uninsured costs of rebuilding their homes – an amount that in many or most cases will exceed one year's mortgage costs.

[8] This option is currently available under HUD's project-based voucher program. Families that move from a unit with project-based voucher assistance receive first preference for the next tenant-based voucher that becomes available through turnover. This allows the family to retain assistance should they need to move to be closer to a job or for other reasons, without removing the project-based subsidy needed to support the development and maintenance of the original unit. While the current procedures need to be streamlined, the basic concept is a good one that is consistent with respecting and supporting families' decisions.

[9] Proposed legislation in the Senate (the CARE Act, which incorporates the Savings for Working Families Act of 2005) would authorize a tax credit for Individual Development Accounts – a form of matched savings that has been used successfully for more than a decade to help families build assets. Another (complementary) approach, proposed by the New America Foundation, would be to provide a refundable tax credit for hurricane victims that could be used only for specified savings purposes. Additional information on these savings strategies is available from the Corporation for Enterprise Development and the New America Foundation.

[10] Still another approach would be to provide targeted funding for Individual Development Accounts for hurricane victims through the existing Assets for Independence Act. If this funding stream is used to assist hurricane victims, it will be important to waive the usual requirement that applicants identify matching funds from non-federal sources in order to draw down federal funds, as this requirement represents an obstacle to the use of these funds in many communities. In addition, hurricane victims should be given greater latitude than is normally the case to determine how to spend their matched savings.

[11] For more information on FSS, see www.fsspartnerships.org.

[12] For more information on Jobs Plus, see http://www.mdrc.org/publications/405/overview.html.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

ASSISTANT SECRETARY FOR CONGRESSIONAL
AND INTERGOVERNMENTAL RELATIONS

The Honorable Barney Frank
U.S. House of Representatives
Washington, DC 20515-2104

DEC 8 2005

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Dear Representative Frank:

On behalf for Secretary Alphonso Jackson, thank you for your letter of October 18, 2005, regarding the Housing Choice Voucher (HCV) program as it relates to victims of Hurricane Katrina. You were concerned that limited housing resources funded through HUD's HCV and public housing programs would be unnecessarily diverted to victims of Katrina at the expense of local families with critical housing needs.

The Department initially encouraged public housing agencies (PHAs) to provide a waiting list preference for HUD-assisted families affected by Katrina for their public housing units and HCVs, if such units were available. However, the subsequent establishment of the Katrina Disaster Housing Assistance Program (KDHAP) funded by the Federal Emergency Management Agency (FEMA), negated the need for such a preference. Materials on HUD's website related to that previous policy have been removed. However, PHAs may still provide such a waiting list preference for families that were not HUD-assisted at the time the hurricane struck, should they have sufficient housing inventory.

PHAs have been encouraged to serve KDHAP-eligible families through the KDHAP. All previously assisted HUD families are eligible for KDHAP vouchers. PHAs will be retroactively converted to KDHAP so they can continue to use their own budget authority to continue to serve families on their waiting lists. HUD is in constant communication with PHAs throughout the country on the KDHAP and other issues related to the disaster.

The initial FEMA Mission Assignment to fund the KDHAP was limited to families that were HUD-assisted at the time Hurricane Katrina struck. Your suggestion that the Department ask FEMA to reimburse PHAs for the cost of providing HCVs to families that were not HUD assisted at that time will be taken under consideration.

Thank you for your interest in the Department's programs. If I can be of further assistance, please let me know.

Sincerely,

Steven B. Nesmith
Assistant Secretary for Congressional and
Intergovernmental Relations

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October 18, 2005

Honorable Alphonso Jackson
Secretary
Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Mr. Secretary:

I am writing to request that you take a number of steps to address the unnecessary diversion of scarce housing voucher resources to Katrina evacuees at a time when FEMA funds are available to assist such families.

In the first several weeks after Katrina hit, HUD took a number of actions to encourage public housing agencies (PHAs) to use existing vouchers and public housing units to assist families displaced by Hurricane Katrina.

I strongly support a vigorous program of rental assistance to Katrina evacuees. I also see the benefit of making vacant public housing units available to Katrina evacuees in areas where there is no waiting list. And, I understand HUD's early inclination to encourage PHAs to assist Katrina evacuees, since FEMA generally failed to provide critically needed housing assistance in the first few weeks after Katrina hit.

However, on September 23rd, HUD and FEMA jointly announced that FEMA funds were being made broadly available to assist Katrina evacuees. In light of the availability of such FEMA funds, I believe that it would be a great mistake to shift resources from existing voucher and public housing programs to serve Katrina evacuees.

I was pleased to receive an assurance from HUD representatives, at a September 29th briefing, that rental assistance to displaced families should be in addition to - not in place of – rental assistance available under existing voucher and public housing programs.

Therefore, I was disturbed to see documents on HUD's web site late last week that appear to continue to encourage PHAs to use existing vouchers and public housing units to assist Katrina evacuees.

During a phone call between my staff and Scott Keller and senior HUD Congressional staff, we were reassured that such encouragement does not reflect current HUD policy. HUD staff indicated that they would remove outdated material from the web site that

reflects such encouragement and would make more prominent guidance to PHAs stating that KDHAP funding can be used to pay 100% of the cost of existing vouchers that have been used to assist Katrina evacuees previously receiving HUD assistance, thus freeing up such vouchers for use by local families.

I ask that you send me a letter reaffirming HUD's current position that it does not encourage PHAs to use existing vouchers and public housing units to bypass local families on waiting lists in order to serve Katrina evacuees. I also ask that you make this policy clear through proactive communications to public housing agencies.

Finally, I request that HUD ask FEMA to reimburse PHAs for the cost of providing vouchers to Katrina evacuees that were not HUD-assisted at the time Katrina hit. As noted above, HUD has already reached an agreement with FEMA to reimburse PHAs for the cost of vouchers provided to previously HUD-assisted families. It would be consistent with this policy to provide reimbursement for Katrina evacuees that had not been previously assisted by HUD –since FEMA would otherwise be providing rental assistance to such families through its Transitional Housing Assistance Program.

Such reimbursement would free up critically needed vouchers that would otherwise go to local needy families. This would also avoid the unintended consequence of punishing localities that were generous in making such vouchers available early on, and ensure that families living in such areas that have been on a waiting list for some time are not denied a voucher as a result of such generosity.

BARNEY FRANK

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