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REBUILDING NEEDS IN KATRINA-IMPACTED AREAS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

ON

REBUILDING NEEDS IN HURRICANE KATRINA-IMPACTED AREAS, FOCUSING ON THE FEDERAL RESPONSE TO THE HURRICANES IN THE GULF OF MEXICO, INCLUDING ONGOING EFFORTS TO ASSIST AFFECTED FAMILIES AND INDIVIDUALS IN FINDING BOTH SHORT-TERM AND PERMANENT HOUSING, AND THE OVERALL PROGRESS OF THE RECOVERY EFFORTS IN THE FIVE AFFECTED STATES

FEBRUARY 15, 2006

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REBUILDING NEEDS IN KATRINA-IMPACTED AREAS

WEDNESDAY, FEBRUARY 15, 2006

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:03 a.m., in room SD–538, Dirksen Senate Office Building, Senator Richard C. Shelby (Chairman of the Committee) presiding.

OPENING STATEMENT OF CHAIRMAN RICHARD C. SHELBY

Chairman SHELBY. The hearing will come to order.

Before we turn our attention to discussing the rebuilding needs of areas impacted by Hurricane Katrina, I would like to take a few minutes and highlight how troubled I am by some of the reports of the massive amounts of fraud and waste associated with disaster assistance to hurricane victims.

While recognizing the dilemma of acting quickly, I believe we must do more to minimize the opportunity for fraud. That said, I think these troubling events also underscore the fact that disasters often bring out the best and worst of human behavior. While in the face of tragedy, many people rose to the challenge and performed countless acts of sacrifice and assistance. Others chose a lesser path and took advantage of the victims and those trying to assist them. Unfortunately, we have seen that such greed and mismanagement did not end in the immediate aftermath of the hurricane. We are still hearing that there are some preying on the victims of Katrina through rent gouging and construction scams. Additionally, many still fall through the cracks of an often too uncaring and unresponsive bureaucracy.

At this point, the fraud, waste, and abuse compound the difficulties of those who have survived this tragedy by making it harder for them to repair and to move on.

Going forward, we need to take a measured approach to ensure that we do best to prevent any further fraud, so that we can meet the commitments we have made to help the victims recover.

Our first priority in this effort is to determine what steps have been taken to this point, as well as to assess the nature of the region's remaining needs. Beyond the particular facts associated with the Gulf Coast, today's hearing also offers the Committee an opportunity to examine the respective roles of the State, local, and Federal Government, as well as the principles of disaster assistance and recovery.

Perhaps the most important lesson from the overall initial response to Hurricane Katrina was a lack of clear lines of responsibility. Without such clear responsibility, it is all too easy to simply point fingers. I believe it is vital we do not make the same mistake in rebuilding the Gulf region.

In the process of rebuilding, it is also critical to not lose sight of what cannot be rebuilt. Hurricane Katrina claimed over 1,000 lives. We can and must assure that rebuilding does not continue to encourage families to live in harm's way. Thus, to simply rebuild the Gulf region as it was, whether lives remain at risk, I think would be a tremendous mistake.

As this Committee moves forward in evaluating the programs under our jurisdiction, I hope to establish on the record a clear accounting of where and how existing funding is being spent. To this end, the Committee continues to examine the National Flood Insurance Program. Over $23 billion in flood insurance payouts will go to rebuilding homes in the Gulf States. In addition, $11.5 billion in Community Development Block Grants have been appropriated to assist in rebuilding.

I believe it is the responsibility of this Committee to closely examine how those funds are being used, and assure that they are reaching the intended recipients effectively.

While this Committee retains primary jurisdiction over housing and community redevelopment, a variety of programs outside this Committee's jurisdiction will play significant roles in rebuilding the Gulf. Included in these are the over $1 billion in low income tax credits recently allocated to the Gulf States. In addition, SBA's Home Disaster Loan Program is an important tool for helping families to rebuild their homes. Rather than acting in a piecemeal fashion, I hope this Committee will look at the various tools for rebuilding in a holistic manner.

Guiding these decisions should be the individual choices of families displaced by Hurricane Katrina. Federal assistance to rebuild must be focused upon helping those who cannot help themselves. Federal assistance should also support the functioning of the private market.

I believe efforts to superimpose a one-size-fits-all centralized solution would do more harm than good. We must bear in mind that the policy choices we make today will have real long-term consequences, not only for the Gulf States, but also for future disaster recovery efforts.

We will begin our hearings on Katrina rebuilding with a very distinguished panel of witnesses, and I would like to welcome all of our witnesses to the Committee. Our first panel this morning includes our colleague, Senator Mary Landrieu, our colleague, Senator David Vitter, and Congressman Richard Baker. I want to welcome all of them to the Banking Committee.

Our second panel will be HUD Secretary Alphonso Jackson.

And our final panel will be Mr. Donald Powell, the Federal Coordinator of the Gulf Coast Rebuilding; Mr. David Garratt, Acting Director, Recovery Division, FEMA; Mr. Martin Gruenberg, Acting Chairman, Federal Deposit Insurance Corporation, and Mr. Herbert Mitchell, Associate Administrator for Disaster Assistance, Small Business Administration.

Senator Dodd, do you have an opening statement?

STATEMENT OF SENATOR CHRISTOPHER J. DODD

Senator DODD. Thank you, Mr. Chairman. Let me begin by thanking you for holding this hearing. Obviously, as a Senator from Alabama, you have more than just an intellectual interest in the subject matter here.

I want to thank our three colleagues, not only for being here today, but also for your tireless efforts. I have not had a conversation with Mary Landrieu in the last 6 months where this has not been the number one item she talks about. David and I do not know each other as well, but I know he feels similarly strongly about this issue and the importance of getting it right.

I am hoping, Mr. Chairman, that what you are doing here today will provide that renewed sense of energy about what we need to do to get moving here. This issue not only needs to be on our agenda, in my view, but also it needs to be at the top of our agenda. This could happen anywhere in our country. It happened to hit the Gulf States. But it could easily have been New England, it could have been the center part of the country as well.

I remember when I went down for the first time to pay a visit right after Hurricane Katrina with a group of colleagues here, we were in Pass Christian in Mississippi, and it was devastated. Obviously, there was not a building standing in that community, just leveled. The Mayor of Pass Christian came up to me, and we were talking, and he asked me where I was from. I told him Connecticut. He told me a compelling story. Right after the hurricane, he went back and was standing there, and a car pulled up in Pass Christian. A couple of people with hair like Jim Bunning's and mine got out of the car, and the Mayor asked them what he could do for them. They said, "We are from Windsor, Connecticut and we heard about what happened down here." Retired people, got in their car and drove down to Mississippi, and got out of the car and said, "How can we help?"

I suspect while not every American obviously is going to be able to do that, those are the sentiments I think of all of us here. I would like to think that if something like this happened in my State, that a car might pull up from Louisiana or Mississippi or Alabama, and say, "How can we help?"

I feel very strongly that this is something we really need to weigh in on and have a sense of urgency about it so we get it right. There is this eerie reaction I am having that this rebuilding program is the same response we got at the time that the levees broke, that we are dragging our feet along here, this bureaucratic kind of stumbling, rather than getting to this issue. It is important, not just for the millions of people who have been adversely affected by this, but getting this right is going to be critically important for the rest of our country, because how we do this will set, in a sense, the model on how we can deal with other future problems that we may face along a similar vein.

Mr. Chairman, I am very grateful to you for doing this today. We need to worry about some short-term needs here, immediately. There are some long-term problems. I am with you, the Government Affairs Committee and others are doing a good job, I think,

of going back and reviewing what happened at the time, and we need to talk about the future now, what can be done. But you are going to have in just a matter of days here, we have literally thousands of people that are being put out of hotels, the headlines and so forth. Where are they going to go? Are they going to get any kind of assistance at all or support? The rebuilding of homes, I think there are some 420,000, I read, homes in Louisiana alone that are probably uninhabitable, going to have to be rebuilt. That number may be low. I do not know.

It seems to me we have to have a heightened sense of urgency about this. I do not think that has been the sense. I say with all due respect to those in charge—and I am anxious to hear today what they are going to do in the short-term—long-term I am interested as well—but there are some immediate problems that need to be addressed immediately. And I am again, very grateful to you, Mr. Chairman, for holding the hearing, and very grateful again for our colleagues and their willingness to weigh in as heavily as they have on this issue, and I look forward to doing what we can. This is a job we really have to put at the top of our agenda.

Chairman SHELBY. Senator Allard.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Thank you, Mr. Chairman. I would like to join you and the rest of the Committee Members in welcoming the first panel here. I know that it has been a challenge the last number of months because of Hurricane Katrina.

I had an opportunity to serve on some committees with Senator Landrieu and Senator Vitter, and then, Congressman Baker, served with you over in the House. It is good to see you here.

I know that a lot of the meetings I have been in, Senator Vitter has constantly reminded us of the challenges, the suffering, and the problems that we are having down there as a result of Hurricane Katrina. I have had an opportunity to get down to that area myself, and have seen the devastation from the hurricane.

So, Mr. Chairman, I would like to thank you for holding this hearing, and particularly, I would like to thank you for taking a positive approach to the needs of the Gulf Coast area. We are focusing on long-term solutions, like Senator Dodd mentioned, short-term issues and whatnot I think are being pretty well-covered in other committees.

As we all know, following the devastation caused by Hurricane Katrina, Federal, State, and local officials did a number of things that could have been improved upon. They also did a number of things right. Certainly it is important to examine what happened so that we can learn for future disasters. However, some people have gotten trapped in the blame game, and so they are intent on fixing blame for what happened, but they are ignoring the present and future needs of the Gulf Coast.

Instead of pointing fingers, Chairman Shelby's leadership will allow this Committee to take the steps necessary to actually help those constituents, as well as others affected by Hurricane Katrina. I share his desire to move forward in a positive, productive manner. Toward that end, I have introduced the Hurricane Katrina Recovery Homesteading Act of 2005, Senate Bill 2088, modeled on the

United States 19th century homesteading initiatives and similar urban programs in the 1970's.

This legislation will help us begin to rebuild the Gulf Coast area destroyed by the hurricane and flooding, providing a fresh start for families victimized by this tragedy. I am pleased to be joined in this effort by my Banking Committee colleagues, Senators Enzi, Sununu, and Dole, as well as Senator Vitter.

The new Urban Homesteading proposal will serve several purposes. First, it is an initial step toward rebuilding and revitalizing the hurricane ravaged Gulf Coast. Second, the new Urban Homesteading Initiative will be one way to begin to address the housing needs of those displaced by Hurricane Katrina. Third, the Hurricane Katrina Recovery Homesteading Act is a productive way of dealing with government-owned properties.

I would like to briefly describe how the initiative will work. I am pleased it is based on a Federal-local partnership, as well as a partnership between Government, nonprofits, and private sector. HUD will identify potential government-owned property for transfer without cost to units of local government. The local government would establish an equitable procedure for selecting low-income families affected by the hurricane for participation. HUD and the local government would work with partners such as Habitat for Humanity, mortgage lenders, and others to help the new urban homesteaders find resources to construct their new homes.

Participating families must agree to occupy the property for 5 years as the principal residence, to bring the property up to health and safety codes within 1 year, and to build a house to applicable code standards within 3 years. They must also agree to periodic compliance inspections. In exchange, the family would receive title to the property. Obviously, the recent flooding raised very important safety concerns, and my bill takes that into account.

The last thing we want to do is to put a low-income family in harm's way in an effort to help them back on their feet. The Urban Homestead Initiative specifies that when determining the suitability of a property for inclusion in the program, the Secretary shall not endanger the health or safety of the individuals living in or near the home.

I would like thank President Bush and Secretary Jackson for working with me on this effort. I hope that my Banking Committee colleagues will join me as a cosponsor in this effort to being to address some of the needs of the Gulf Coast area. Frankly, I can think of no reason we should not do this. We should not delay desperately needed assistance simply because it will not meet all existing and future needs. To the families that this bill can help, it will be very worthwhile. I am hopeful that the Committee will take up my bill in the near future.

Thank you, Mr. Chairman, for holding this hearing, and I looked forward to working with you on the Urban Homestead Initiative, as well as other proposals to address the rebuilding needs of the Gulf Coast.

Chairman SHELBY. Senator Menendez.

STATEMENT OF SENATOR ROBERT MENENDEZ

Senator MENENDEZ. Thank you, Mr. Chairman. I appreciate you having this hearing and the spirit in which you are doing it. I appreciate Senator Landrieu, who has, in my short time here, made it her business and her advocacy to let me know about the challenges that the residents of her State are facing as a consequence of Hurricane Katrina, and she has done such a fantastic job, at least in our caucus, of letting us all know of these challenges.

Mr. Chairman, 7,000 evacuees from Louisiana came to New Jersey after Hurricane Katrina. Many are still there. Some of them still face some enormous challenges. They have found a hospitable State, but home is still Louisiana, not New Jersey, and they want to return.

There was a recent report that I think speaks about some of the challenges these individuals are facing, talk about two sisters, one who was a former credit analyst, who exhausted her savings, spent what was left of her 401(k) retirement. Her sister ended up in two hospital emergency rooms, the result of an extremely poor diet. They are stuck in a cycle in which they are stranded with little cash in a hotel in Morris Plains, New Jersey, that is now paid for by FEMA. They cannot move out of the hotel because FEMA has been slow to provide them with rental assistance that will help them land an apartment. And to use one of the sister's words, "It is a nightmare that will not end. It is degrading having to beg and even begging gets you nowhere."

So those are individuals who, obviously, are seeking to go back home, and have found themselves in a cycle in which they cannot simply break out of it, even though they had gainful employment when they were in Louisiana.

It has been 6 months since the Gulf Coast was hit, and in another 6 months it has the potential of being hit again. So the timing of his hearing could not be more propitious because we have to figure out how we meet the challenges so that the next season does not create a blow to New Orleans and to Louisiana that you simply cannot recover from.

In that respect, I think all of us have to understand that there but for the grace of God, go I. And the reality is, is that we must learn—and this is not about finger pointing—but it is about learning what we in fact did not achieve successfully, so that we can learn from that and be able to resolve the deficiencies in our ability to respond, whether it be in Louisiana or in any other part of the country. I do not look at the questions of what has gone wrong as ascribing blame, as much as understanding what is wrong that needs to be fixed in a structure that will be called undoubtedly again to respond to the residents of our country.

If there is one thing that the government, certainly the Federal Government, is responsible for, is the safety of its citizens, regardless of how that safety might be endangered. While we have supplementals, we clearly have a long way to go, and I am looking forward to all of our colleagues, Senator Vitter as well as Congressman Baker, their testimony, because they are on the ground firsthand.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you.

Senator Bunning.

STATEMENT OF SENATOR JIM BUNNING

Senator BUNNING. I will try to be short, Mr. Chairman. Thank you for holding this hearing.

First of all, welcome classmate Baker. We came into the House together, so I have an unusual alliance with him, and my two colleagues from the Senate. If I have heard anything out of your mouth in the last 6 months, it is about the problems on the Gulf Coast. That is besides other things, but mainly those.

This hearing is very important to the point of moving forward. We know what we have down there. We know that the service immediately following and continuing was inadequate, but we have to get on with the lives of many people and the reconstruction of the coast.

I read yesterday in the paper they are talking about Mardi Gras in New Orleans. I did not think they would ever have Mardi Gras in New Orleans, and I am so happy that they are going to. We have a problem with our flood insurance program, and we have had hearings on that, and we are trying to get that reconstructed to the point where the Federal Government can have a flood insurance program that is viable and it pays for itself. Obviously, it did not work this time, even though we tried to update it just 2 years ago.

The whole point of this hearing, I hope, will be to move forward rather than to look backward, and to see what we can do in the future to prevent the mistakes of the past, and really work to relieve the suffering and pain that the people of that are presently involved in, and will continue to be involved in until we get it reconstructed as we want it.

So, Mr. Chairman, I yield the rest of my time.

Chairman SHELBY. Senator Bayh.

STATEMENT OF SENATOR EVAN BAYH

Senator BAYH. Thank you, Mr. Chairman, for holding this hearing, and I too want to welcome our panel members, Senator Vitter and Senator Landrieu.

Senator Bunning, I have had a similar experience to yours. Senator Landrieu and I talk from time to time because we have been friends over the years. We have children of about the same age, and I always say to her, "Mary, how are the kids?" She said, "Fine, Evan, but what are we doing about New Orleans?" And rightfully so. I mean, all of these individuals have been champions for their people in times of distress, and that is why we are all here, so I compliment you for taking this issue on so aggressively and coming before us today.

In the long, unfortunate catalog of human tragedy, New Orleans is going to occupy a prominent place. There is not much we can do to control Mother Nature, but there is a lot we can do to control how we respond to it. As I think we all recognize, the response so far has been terribly inadequate. We need a new sense of urgency, a new sense of competence, and I think that is what your initiative brings to the table here.

Mr. Chairman, during my previous life as Governor of our State, 88 of Indiana's 92 counties were declared disaster areas at some

point in time, floods, tornadoes, ice storms. Nothing approaching the magnitude of what hit New Orleans, but we know a little bit about coming together and getting the job done, and that is why I think your idea is an excellent one. It brings a scope and a commitment that is necessary to tackling this problem, to giving people hope, to getting on with restoring the city.

If I could make just one modest suggestion. I know as this legislation goes forward, you will be tweaking it here or there. I had heard concerns from less fortunate individuals that if they are not given a place, they are wondering will they ever get home? And we have to make sure we reassure them about that and that there is a low-income housing component of some kind that addresses those concerns, but the overall idea, as I said, the urgency, the scope that is brought to this, plus including the public and the private sector together. We have had some pretty good experiences with public/private partnerships in Indiana, and I think that is what you envision here.

I laud you for this. I support you for this. Let's go get the job done. I think that is what the people are looking for.

Thank you, Mr. Chairman.

Chairman SHELBY. Senator Stabenow.

STATEMENT OF SENATOR DEBBIE STABENOW

Senator STABENOW. Thank you, Mr. Chairman.

Welcome to my colleagues who have been working so hard. Senator Landrieu, I know every day I think we talk on the floor of the Senate about what you are addressing.

Senator Vitter, thank you so much, both of you as a team. And Congressman Baker, welcome. It is good to see a former colleague.

This is such an important topic, and I think that is really, in addition to the efforts that you are focused on, really about a larger message, and in terms of our Nation's response to thousands of people who want their lives back. And we have over 2,000 of those individuals in Michigan that our communities, our families, our churches have reached out to help, and will continue to do that until the job gets done and they get to go home.

I was, frankly, disappointed that in the present State of the Union only 7 lines were given to Katrina reconstruction, 7 lines, that failed to mention the 350,000 displaced families that were denied vouchers, the 693,000 families whose rental assistance has not been extended into the new year. Also missing were the 4,500 evacuees who will be forced out of their hotels in exactly 2 weeks, some in Michigan, and the 100,000 registered voters who are temporarily displaced, many may not be able to vote in the April elections. Seven lines, I am sure you would say does not capture what is really going on for each of you, and what is going on for your communities, and how important it is that people be able to return to their communities.

I know that you have excellent ideas, and I support those for what needs to be done. I also know that each of my colleagues would say that things have not moved fast enough for the families involved and need our help. The truth is, many people needed our help before the floods, as well as needing our help now.

So, I welcome you to the Committee. I hope that we are going to have the sense of urgency that I know each of you feel every day with your own families, and the families that you represent and that we will be committed to get the job done for a group of Americans who have gone through a horrendous tragedy.

Thank you.

Chairman SHELBY. Senator Sarbanes.

STATEMENT OF SENATOR PAUL S. SARBANES

Senator SARBANES. Thank you very much, Mr. Chairman.

First of all, I want to welcome our colleagues here. I know how intense and consistent the concern and interest of Senator Landrieu, Senator Vitter, and Congressman Baker, as well as the other members of the Louisiana delegation, and the Mississippi and Alabama delegations in the Congress has been with respect to the hurricanes which struck the Gulf Coast.

The President, when he went to New Orleans on September 15, said, "We will do what it takes. We will stay as long as it takes to help citizens rebuild their communities and their lives." I think we are still struggling with giving reality to that rhetoric, and I am hopeful that this hearing, Mr. Chairman, will be a very important step on the path of really coming to grips with this situation.

One of the great cities of our country which has been devastated. A city of great historical significance and continued economic significance. It is the gateway from the Midwest in terms of moving goods out into international commerce. There is a huge energy industry focused in this area, and so the economic underpinnings in many respects remain. They can say, well, New Orleans is tourism, but that tourism is built on something else that is of a significant and lasting economic consequence for the Nation.

The Congress has been trying to put money in there. We need to find the framework within which all of this operates, and I know that is what we are going to, in part, be hearing about from our colleagues here today.

Mr. Chairman, I want to commend you for holding this hearing. I think it is extremely important and I do want to recognize the efforts that our colleagues have been making with respect to the situation that exists along the Gulf Coast.

Thank you very much.

Chairman SHELBY. We will start with you, Senator Landrieu.

STATEMENT OF MARY L. LANDRIEU
A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator LANDRIEU. Thank you, Mr. Chairman. I thank all of the Members of this Committee for your opening statements of concern and observation and direction. Each of you hit on a extremely important part and facet of the great challenge that is before us.

We are not here to point blame, but to point the way ahead, which is for us the most important, to find a way ahead for New Orleans, for the region, for South Louisiana, and frankly, for the Gulf Coast. While some comments were made—and I will say briefly before I get into my statement—on urban homesteading, which are appreciated by my colleague, Senator Allard, let me reiterate that neighborhoods of million dollar mansions were washed away,

neighborhoods with $500,000 homes of middle-income families were washed away, and low-income neighborhoods were washed away. So we need a very comprehensive approach.

As one of my colleagues said, this is not just—I think it was Senator Menendez—this is not just about, Mr. Chairman, what we need to do today for New Orleans and the region, but this is about laying a framework down that could be available for the next time this happens. Let me rest assured, it will happen again somewhere, maybe not the same. So it is about designing something that works for the near future and the long-term.

When I speak about the city which I have represented proudly for many years, let me be clear that I am speaking about a region of over 2 million people in South Louisiana that has about 2.5 million people. We were hit, not by one storm, but by two, Katrina on the southeast, Rita on the southwest, and literally from Pass Christian to Bogalusa—I am sorry—from Pascagoula to Beaumont, there is devastation along the Gulf Coast, large cities, small cities, and villages. So let me get into my remarks.

I think it would be appropriate, since this is unprecedented in the Nation's history, to go back a little ways and then come forward. One hundred ninety-eight years ago, every public building in this city was razed to the ground by invading soldiers of the British Army. Imagine the questions that must have occurred to Members of Congress at that time. Should we rebuild? Where should we rebuild? Are we too close to the water? Are we too much of a target for the British Navy? Where should we go, higher, lower? I understand those questions are important, but they were answered, and in the true American spirit, President Madison did what every American President has done before, and hopefully every one in the future, they committed themselves to rebuilding with a spirit of optimism and hope, and they built better, stronger, and smarter, and that is what we intend to do in this region.

MIT Professor Lawrence Gale's recent book, "The Resilient City," he notes that in ancient times this planet was dotted with lost cities. These were places that civilizations literally abandoned after natural disasters. However, in the last 200 years, I would like this Committee to note, every major city that has experienced catastrophic disaster has been rebuilt. In many cases, this includes cities which have actually experienced worse devastation than New Orleans. They include places like Warsaw, Poland, where 80 percent of its buildings were left in rubble at Hitler's orders, and 800,000 of its 1.3 million residents were killed or murdered by the Nazis. Yet a decade later, it was a city of over 1.3 million people again.

Many cities in China, one in particular, Tangshan China, experienced the worst urban earthquake on record, killing as many as a half a million people. Ninety seven percent of its residential buildings were destroyed, and 78 percent of its industries were ruined. Yet 10 years later, that city had returned larger and more populated than before.

And finally, closer to home, a few decades ago, Galveston, Texas was all but destroyed after a hurricane put a 16-foot storm surge over the 9-foot high island. Six thousand to 8,000 of the city's 37,000 residents were left dead. But Galveston recovered. Over the

next 11 years, the city, including a 3,000 ton church, was raised by as much as 17 feet and sheltered by a seawall because the people of Galveston refused to give up.

Mr. Chairman, I note these examples in the history to say that New Orleans and South Louisiana will be rebuilt. The Nation, this region deserves to be rebuilt, not only because of the people that live there, but also the mighty and spectacular contribution that has been made by this region to the development of this Nation and its continued impact, and as Senator Sarbanes has said, on the economic vitality of this Nation, and its essential strategic location at the mouth of the Mississippi River.

My colleague, Congressman Baker, has pointed a way forward, and I support his way. I understand that we may need suggestions and modifications. We are most certainly here before this Committee to humbly say that we will take all and every reasonable suggestion.

There are several key virtues of the Baker plan that I believe need to be incorporated into any plan. First, it is a collaborative approach. It is a framework. It takes representations from all levels of government, which, believe me, Mr. Chairman, we will need the best at the Federal, State, and local level to get the job done. It mandates planning and institutes a mechanism for everyone to be heard, while creating a unified vision for redevelopment.

Second, the bill treats both mortgage lenders and homeowners equitably. Congressman Baker has been very scrupulous in keeping his eye on the target. Our objective is to help families, homeowners, and people in need, not just institutional investors. So under his legislation, homeowners would be guaranteed a return on their pre-Katrina equity, and mortgage lenders would be required to absorb their fair share of the losses.

Finally, the Baker bill would provide stability, certainty, while giving local planning agencies a realistic timeframe to develop a comprehensive plan for rebuilding the region. One of the greatest dangers the city and region now face is a rush to create uncoordinated plans, instead of doing true strategic thinking, and without the benefit of analysis that would help drive what really needs to be done, not only to keep people safe, but to also keep this region the vital, economic center it is for the Gulf Coast and the Nation.

In this sense the disaster in the New Orleans region is very different from along the Gulf Coast of Mississippi, which let me say for the record, we love just as dearly. But you can tell where the danger is going to come from. It is going to come from the Gulf. It is going to come off of that water. You can define it a lot better than when you have a city and region like New Orleans that lives between many bodies of water and sits low like the Netherlands has sat for over 1,000 years, may I say, 21 feet below sea level, not the 5 or 8, and they have successfully managed those ever-present challenges.

Mr. Chairman, it is easy to forget, when we talk about facts and figures and process and government that we are talking about people's lives. As Senator Stabenow has so eloquently said, Louisiana has 650,000 displaced people from the storm. The only thing that compares in this country to this mass displacement was the Civil

War. We have lost over 217,000 homes. That means a lot of lives that have to get started over.

As I conclude, let me say, it is not just homes. In one weekend people lost their homes, their businesses, their churches, their synagogues, and their schools, and it deserves more than a few lines in a State of the Union. It deserves more than a few old programs that are on the shelf, taken down to see what will work and what will not work. It takes a coordinated effort.

Congressman Baker, I commend him for bringing this bill forward. I am proud that Senator Vitter and I put a companion bill in the Senate to work until we find solutions.

I thank this Committee for giving this issue its full attention, and the catastrophe warrants such a focused attention.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you, Senator.

Senator Vitter, before I call on you, I just want to acknowledge the article that you penned for the *Washington Post,* "The Path to Louisiana's Footprint." That is a very thoughtful article. I would expect nothing less from you, a Rhodes scholar though. Thank you.

Senator Vitter.

STATEMENT OF DAVID VITTER
A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator VITTER. Thank you, Mr. Chairman, and Ranking Member Sarbanes, and all of the Members of this Committee, for this important hearing on the rebuilding needs in Katrina-impacted areas. I am also honored to be joined by my colleagues, Senator Landrieu and Congressman Baker.

I wanted to focus on two things, first, why I also strongly support the Baker bill, and why it is a very important mechanism that can help us move forward in the rebuilding process; and second, and just importantly, really, the subject of that op-ed which you just held up, which is why I think we are in a bit of a logjam, and how we break through that logjam in a positive way and move forward, using the mechanism of the Baker bill or something similar.

First of all, let me reiterate very clearly, that I am very supportive, along with Senator Landrieu, of Congressman Baker's bill, H.R. 4100. Of course, we have a Senate companion bill before you, S. 2172. And very broadly speaking, I am supportive of it for two important reasons. First of all, it gives some financial recovery and sense of hope to tens of thousands of people, many of whom lost everything they own on this earth, others of whom lost so much through absolutely no fault of their own. And it is really even worse than simply not being through any fault of their own, most of them lost this not because of a natural disaster but because of a man-made disaster.

What do I mean by that? I mean that the great majority of the catastrophic flooding in New Orleans occurred not from levees being overtopped by water coming over the levees, but by failures of those levees due to fundamental design flaws of the U.S. Army Corps of Engineers. That is beyond dispute at this point, and the Baker bill helps make those people at least semi-whole.

The second reason I am supportive of the mechanism is that it puts a mechanism in place that can help jump-start the redevelop-

ment of entire devastated neighborhoods, in which, quite frankly, redevelopment will be problematic at best if it just depends on individual decision. No one individual homeowner, for instance, wants to go way out on a limb, having no idea who is following him or not following him in a completely devastated area. There needs to be some more coordinated approach, and the Baker bill is a mechanism that offers that.

Let me move on to the second topic I want to touch on, and again, it is really the heart of the op-ed which you mentioned, and it is why I think we are at a bit of an impasse over the Baker bill, but really more broadly, over the rebuilding effort. I believe it largely comes down to this: I think a lot of the hesitation has to do with what many people in the Administration and in Congress and around the country feel is the lack of a clear rebuilding plan.

President Bush on January 27, stated, "The plan for Louisiana hasn't come forward yet, and I urge the officials, both State and city, to work together so we can get a sense for how they are going to proceed." And February 2, in a op-ed piece, Donald Powell, who you will hear from, wrote, that the Baker bill "is not a long-term plan" that includes "key elements, among them decisions on where and where not to rebuild."

Now, as you can probably guess, many in Louisiana took great offense at these comments. A lot of people said the Baker bill is our plan, and we have numerous planning commissions at work on things like the footprint question, where and where not to rebuild. I think one thing all of us, including all of us in Louisiana, have to understand is that the Baker bill is a great mechanism to go forward, but that is not the same as a substantive plan making the substantive decisions about what is going to happen and where it is going to happen, where and where not to rebuild. And I think that is what so many people in Washington and around the country are looking for. They do not want to see numerous planning commissions. They want to see a single substantive plan. They do now want to listen to a footprint discussion. They want to see a footprint, and one that does not include areas that are likely to suffer catastrophic flooding again.

I think there are other things that the President and people up here have to understand too. They have to understand that this is not as simple as saying you cannot build in a floodplain. The White House is built in a floodplain. It is not as simple to say you cannot build below sea level. If you say that, the country will have to sacrifice a vitally important energy hub and port system. Most of all, they have to understand what I said a few minutes ago, that the great majority of New Orleans catastrophic flooding occurred because of breaches in levees that were not overtopped by water, but rather, that failed from below because of gross design mistakes of the U.S. Army Corps of Engineers.

If you put all of this together, what is the plan for moving forward and breaking through this impasse? I believe that it demands action from both sides. First, the Governor of Louisiana, the Mayor of New Orleans, parish presidents, all of their commissions must produce one single, fully fleshed-out, detailed substantive plan. This cannot just be another request for billions in Federal assistance amidst vague discussion of the tough local issues, but a spe-

cific plan that addresses those issues head on, including the footprint question. In other words, a denser New Orleans with a smaller footprint, but also one that can accommodate everyone who wants to return, and that can be defended against future hurricanes at significant but manageable expense.

This plan should also detail bold reforms, such as replacing the failed Orleans Parish Public School system with a diverse collection of charter schools, and replacing the outdated charity hospital system with coverage that offers the needy solid, preventative, and other care through numerous providers. That is the Louisiana side.

But what about the Federal side? Well, for its part, the Bush Administration and Congress must endorse this general path now to encourage bold, courageous Louisiana decisions, and this endorsement must mean that we will take the lead in funding a responsible plan once it is produced. The $6.2 billion in CDBG, block grant funding approved in December, is a real downpayment, but additional Federal dollars will be needed to buy out areas that can be converted to natural flood basins, and to help rebuild others. This could be done through the Baker bill or some modification of it, perhaps a State Baker bill with Federal funding.

Up to now, the difficult footprint discussion has been framed almost entirely in terms of some people not being able to return to their neighborhoods, but the path I am suggesting, using the Baker bill or something similar as a mechanism, would offer these residents much greater financial recovery through buyouts that they could possibly enjoy otherwise, coupled with the ability to rebuild their lives in nearby parts of a safer, stronger community.

As difficult a path as this is, I truly believe that the people will accept it in Louisiana and across the Nation. The real question is, will the Louisiana and national politicians?

Let me end on a very hopeful note. I believe we are seeing movement down this path on both sides. I am very hopeful that in the very near future, we will have some very positive progress involving increased additional support for housing and other needs on the ground in Louisiana. If we do that—and I am hoping we will—I hope that will be coupled with the culmination of a lot of work going on in Louisiana to produce that single, unified, bold plan that can gain the confidence of people here in Washington and around the country. I believe that is the combination that can allow us to move forward through the mechanism of the Baker bill or something very similar.

Thank you very much, Mr. Chairman.

Chairman SHELBY. Thank you.

Congressman Baker.

STATEMENT OF RICHARD BAKER
A U.S. REPRESENTATIVE IN CONGRESS
FROM THE STATE OF LOUISIANA

Representative BAKER. Thank you, Mr. Chairman. I want to express my deep appreciation to you. I came to you in the hurried moments of last session, asking you to consider a legislative matter. You indicated to me that it was important to you, that you would make it a priority and that early this year you would convene a hearing to consider the subject matter, and for that commit-

ment and your honoring of that commitment, I want to express my deep appreciation to you, understanding the many demands made on the Committee's time.

To the Members here present, I wish to express my deep appreciation for your kind interest and continuing courtesies that have been extended. It is clear that we are in a circumstance not of our making of enormous complexity, and resolution is not going to be easily attained.

Having said that, the American taxpayers have been extraordinary by actions of this Congress. The amount of funds made available to us so far in the Gulf Coast have truly been extraordinary, either by taxpayer appropriation or by charitable contribution. It is amazing to watch this country work when they sense true and honest need.

I would like to speak just for a moment in very general principles about the proposal the Senators have introduced, and the one that I have introduced, only as to its operative intention, not as to detail. But certainly, if Members wish to engage in questions concerning that, I would welcome your interest in the matter.

The difficulty we face is that we need some aggregating entity. We need an ability to get into subdivisions and communities and get title to property so that it can be swept clean. Once done, the property then can be readied for sale into the private market, the proceeds of which, I feel, would be highly appropriate to go back to the American taxpayer. It is the first time to my knowledge, in response to a natural disaster, that the recipient victim is suggesting the taxpayer should share in the upside benefit of any speculative environment which may result. I do believe, because of the necessary economic function within the region, from oil and gas, to exporting 65 percent of the Nation's grains, to the seafood industry, to a whole host of other assets, people will return. People will live there because they are jobs of necessity. But that means children must go to school. It means firemen must be on duty. It means police must be ready to respond.

How does one begin when you look across Lakeview with truly 700,000, 800,000 homes as far as the eye can see, but you can look in the front elevation, look out the back, look through the back elevation of a house in the next lot, out the front door on the next street, and look as far as you choose to look. Much has been lost more than just homes and structures. Hope is on the border of being lost. Who goes back first? Does the fireman move into his house? Where does he buy gas for his vehicle? Where do his kids go to school? Where does the family shop for groceries?

We must have a plan of community restoration, where we all go back hand-in-hand all together. We are not asking the Federal Government to make whole people who moved into a floodplain and who had the misfortune to be caught short because the insurance was either lacking or less than the financial obligations for which they were owed. Under the proposal we are suggesting you consider, everybody loses. The homeowner loses. The banks lose. Certainly, the Federal taxpayer will lose. But we are hoping to offset the scope of that loss by the sale of reclaimed properties into the market, and give those proceeds to the American taxpayer for their

generosity in providing us a bridge loan. They are going to help us out when we are a little short.

Second, going forward, I am not suggesting—and I know neither Senator has suggested—that we build unwisely. Certainly, we should build to hurricane-proof standards. Certainly, we should have areas where we closely and carefully evaluate the advisability of rebuilding. Certainly, Senator, I want to join with you. If it could be made part of this proposal, I pledge to you my support in looking at the advisability of how our flood insurance premium system works. It should be, as close as possible, actuarially sound. We should not have someone who owns a second home in the panhandle of Florida that is looking out at the water break on a sandy beach at Destin, paying $494 a year for Federal protection from damage accruing to that multithousand dollar home. That is not right.

Now, this is a painful offer. This is not something that I run for reelection on, saying, "Let us go home and raise flood insurance premiums, Senator." So my heart is here fully committed to this.

I am also suggesting that as we make those reforms, we need to provide a mechanism of hope for this important economic center of our country. Now, once we aggregate the land and sell it back to the developers for future development, one might say, well, that is a top-down approach. The President's has been insistent on a bottom-up approach. Legislation provides for local planning councils. Under the terms of the bill, money cannot be spent that is inconsistent with the plan developed at the local level. We do not go in and march on communities as a Federal enterprise, saying, "We are here to help you." You have to pass a resolution at the local level, city council, parish governing authority, and say, "Please come on in, we want your help."

So it is a negotiated process led at the local level by planning, invited in by the local governing authority, and we come in and acquire properties, take the bank out, and leave the homeowner with a small amount of cash and no mortgage obligation.

How does that work? For a $200,000 home. Let's assume you have $150,000 mortgage. Under the terms of the bill as currently constructed, we would offer the homeowner $30,000 cash, and we relieve the bank of its financial obligations by paying it 60 percent maximum, would be $90,000 to the lending institution. Had not been widely noted, but it is important to note, I think, in fairness to this Committee, the bill prohibits the acquisition of properties from lending institutions which are the result of foreclosure. We do not want to incent social behavior that is not consistent with the recovery. So we are suggesting that where lending institutions work with us, provide longer forbearance, that there is an upside to them as well. If they choose to hold onto that property, we provide a mechanism for a partnership arrangement under the redevelopment proposal, where we do not pay you anything, but in the course of the clean-up, we will sweep the lot clean, and we will transfer back to you the surface rights of that tract once it is improved, but you have to pay us your pro rata cost of the clean-up. But you can hang onto that property throughout the duration if you choose to have your lot back in your community the way it was

prior to the storm, and then you build your own home, because we did buy you out.

We have tried to give every possible consideration some answer. One of the most disturbing would be for those low-income individuals who were displaced by the storm, and surprisingly to many people—not to me—in the lower Ninth Ward, the absolute outright homeownership right was 43 percent, meaning 43 percent of the occupants of the Lower Ninth owned their home outright. Many had no insurance. Why should they be displaced by the storm, and even if redevelopment occurs, not allowed to come back? That is why we have had some controversy on the House side, a provision that allows for an individual to exercise a specifically limited timed option. So if you do not believe the Government—there are some people out there, amazingly enough, who do not believe the Government—and you want to come back and look and see what the deal really looks like, you will be given a brief window, and if you want to repurchase your lot, for which you were paid a fee, you have the right to do so. Even more importantly, the option is negotiable. You can sell the option to somebody else. My view is that money is somewhat helpful as a cure to poverty. Let people make some money as the recovery goes forward.

I am not suggesting this plan is perfect. Since I discussed it with you, Senator, in December, there have been a number of modifications. Ms. Landrieu and Mr. Vitter have worn me out with modifications. I think my name is modification.

[Laughter.]

And I am not here to say to you that what we have before the Committee today is the plan. But I will suggest, and I hope, in a manner that you will understand I hold quite strongly, I am a former real estate guy, I am a former home builder. Before I lost my mind and came to Congress, I did that full time.

If we let this go to normal market process, where we go through foreclosure cycle, speculators have signs up already, "I buy houses. Call me." They are preying on the elderly. They are preying on the uneducated. They are preying on the desperate. And they are going to pay them cents on the dollar and ride it out, because they know, they know that this great city will come back, and it is going to come back at a value and a level nobody can appreciate today. The question is, is it going to take months? Is it going to take years, or is it going to take decades?

And in the course of that consideration, I would point out there are much more cost-beneficial ways to manage the resolution. Sure, it requires work. We would take on Federal responsibility for its failure. But if we do it right, we can minimize the adverse impact on the taxpayer, we can give a city back its culture, and we can give people hope. They need hope, Senator. They need to know that something is going to be done. Doesn't have to be done tomorrow, but it has to be done.

Thank you Mr. Chairman.

Chairman SHELBY. Thank you.

Any questions of this panel?

Senator Dodd.

Senator DODD. First of all, congratulations to all three of you here, and I gather we do not have a bill that has been written up yet in the Senate?

Senator LANDRIEU. We do.

Senator DODD. I want to take a look at it, but I am very intrigued by what you just said. I think it is very creative, and I want to commend you, Congressman Baker, for a very thoughtful approach, imaginative approach on this, and I am very excited about it. I will be talking with my two colleagues here about it as well, more modifications, not what you want to hear about. I love your presentation. I think it is very, very thoughtful.

Why did the Administration just reject this? It seems to me they may have some ideas they want to bring to it, maybe want some modifications themselves, but why would you reject what sounds to me like a very reasoned, well-thoughtout proposal here that would bring us all together, and particularly the notion of hope, I think, and creative.

Chairman SHELBY. Senator Dodd, as you know, the Administration will testify in just a few minutes.

Senator DODD. But I am curious about the Congressman, about his analysis of why the rejection.

Representative BAKER. Even as I came to the Chairman it was—I fully focused on the House consideration only. We were fortunate to get a bill out of House Financial Services by a 50–9 vote, bipartisan. When I came to the Chairman, it was a very new topic on a very complicated problem, and he suggested we need some time for Senators to review it and come to a better understanding before we act on it, and I certainly understand that.

In the case of the Administration, I want to compliment Mr. Powell. We have worked, over the past few months, for many hours, trying to come to some agreement on how to proceed. Much of what the Administration's views would be—and I hope I am not inappropriate to characterize it—is we have a response mechanism in place, which we feel, if properly funded and supervised, can give the people of Louisiana the assistance they need much more quickly. I will say, in their defense and in some criticism of my own approach, to get the corporation created, to appoint the board, to have staff capable of going out and running down the mortgage obligations and finding out who the true owner is if they happen to live in Wisconsin or wherever. It is going to take time.

So if one is focused on immediate response, although I am not all that excited about—I do not think my colleagues are—with the cruise ship FEMA trailer response—I am saying to you that doing something now is the right thing to try to do. This is a grander, longer term—the one dispute I will have with the characterization of the approach is it is a long-term plan, it is a very long-term plan. If there is any problem with it, it is a really long-term plan.

Senator DODD. You are not suggesting this is an either/or situation. Obviously, there are immediate needs that need to be addressed, which I think all of us would like to see us do something about. What you have created or at least envisioned here is some longer-term proposal. Senator Bayh, I think, raised earlier the question of some low income issues and so forth. There are some

immediate issues, but I do not know how that should be in conflict necessarily.

Representative BAKER. I would defer to the Committee's judgment on that matter. I am very concerned that as we repeatedly come to this Congress and ask for assistance, that at some point people are going to say enough is enough. My sense of urgency was to offer this as the initial response. I know there is under consideration, for example, an $18 billion supplemental. I do not know the allocation of those resources. I do not know what is intended for that. I am hopeful my two Senate colleagues will have a significant hand in making that determination. I do not serve on appropriations. I am just a banking guy, so I am really reliant on your leadership and those of my two Senators to help us navigate.

Senator DODD. Let me ask our colleague, Senator Landrieu about this. We have talked about this, in fact, I think in our trip when we went down to Coretta Scott King's funeral together. We talked about this, and you told me about this idea and proposal. Tell me what your visions are of all this.

Senator LANDRIEU. Let me add my comments to that very important question, why the Administration to date has opposed this concept. It is not because Congressman Baker is not willing to talk, but he needs somebody to talk to. They have mischaracterized this as a big Government approach, and nothing could be further from the truth. It allows the Federal Government to do what only the Federal Government can do, which is step up and create a secure framework in order for the private sector to work, and in order for many local governments—it is not just one. These are—I do not have the full number. If my staff will tell me, but I would say, estimate it is over 60 to 65 counties and parishes that were affected.

The way the Baker bill is now drafted is for Louisiana only, but let me go on record to say this has great merit for Mississippi and Louisiana, should they choose. They have decided they did not want to, so we had to kind of proceed by ourselves, alone, but it is not meant to exclude them. But only the Federal Government, Senator Dodd, can create this framework in order for the private sector to be maximized. Otherwise, as Congressman Baker said, speculators will rule.

Now, let me say I have no problem with people making a profit. I understand that is the way this Government operates, but I think given what Senator Vitter said about thousands of homeowners who saw their property destroyed, not because they did not pay their taxes, stay out of trouble, send their kids to school, but because our levees broke. We have more of an obligation to help them have a fighting chance to get back to the neighborhoods that they loved so well, whether it is the Ninth Ward or Lakeview, et cetera.

I think the Administration has a lack of understanding of the magnitude, which they have not demonstrated, at least to this Senator, that they quite grasp yet. They think it is a Government approach, when it is exactly the opposite. And they have said it is too expensive. Let me, for the record, say that according to Congressman Baker and what he has worked out, if it is done properly and we are careful with the taxpayer money, we might make money for the taxpayer. I do not want to over promise, but I think a careful review will show that over time we could maybe break even be-

cause the property is devalued now. But if we all work to increase the value of this great region with homeowners and families sharing that rise up, taxpayers may be able to actually create something that would not, Senator Shelby, be a drain like the flood insurance program, like some of the other things we have done.

Chairman SHELBY. Senator Sarbanes.

Senator SARBANES. I just wanted to follow up on what Senator Landrieu said about the levee breaking. Who was responsible for the levee? Who built the levee and who sustained the levee?

Senator LANDRIEU. Senator Vitter can give you more detail. He is on the oversight committee. I am on the funding committee. But the bottom line is these are Federal levees that were built with Federal funding with a local match. The maintenance of the levees is distributed between the locals and the State, but there is no question—because several studies have now been conducted—that it was a gross failure of design of Federal levees that broke and flooded areas that have never been flooded before.

Having said that, let me ask Senator Vitter to fill in because he is on committee.

Senator SARBANES. I think Senator Vitter—is that right?

Senator VITTER. Yes, that is exactly right. In terms of the design and construction, the lead is always the U.S. Army Corps of Engineers. Now, maintenance is more, not exclusively, but more a local matter. But when you look at the specific breaks we are talking about, I think it is absolute universal consensus that they were 98 plus percent caused by fundamental design flaws. That is the Corps and its contractors.

If I could just briefly answer Senator Dodd's question as well.

Senator DODD. This is great. You did a good job with this piece, by the way.

Senator VITTER. I appreciate it. I wanted to go back to that quickly. You said why is the Administration opposed to this? I do not want to speak for the Administration—and they have mentioned a bunch of things—but I think a key, not only there, but also up here in general, is people wants to see what the substance of the rebuild plan is. Congressman mentioned, appropriately, this local planning work that is ongoing. Basically, I think a lot of people want to see the result of that before they sign the check or pass the bill, and that is what I am suggesting, that we just marry up. So let people see the result of that, or create a mechanism that everything is contingent on that confidence inspiring plan.

Senator DODD. Let me just react quickly to that, and ask Senator Landrieu this. My only concern with that would be that asking that many local entities, all the people at the local level in Louisiana to come together on one plan to precede this, my suggestion would be—just on reacting—you do the Baker-Landrieu-Vitter plan, get this thing moving, you will then get the reaction at the local level. That would be my assumption here. I think waiting for this to occur simultaneously is, I think, dreaming.

Senator LANDRIEU. Could I add something to that, if I could, Senator Dodd? I do not disagree with what Senator Vitter said about the importance of having coordinated plans at the local level, but I do want to strongly agree with what you just said. This is a chicken or egg situation, and to expect these parish governments

from the last 6 months, that have no idea what FEMA will reimburse them for and under what conditions and how quickly, they have no idea how much money they have to work with, they have no budgets to work on. Seventy-five percent of their operating budgets were swept out from under their feet. They do not have fire trucks. Police officers do not have houses. Teachers have no schools to teach in. Nineteen hospitals were shut down and 6 universities. To ask these communities to come up with a great plan that everybody signs off on and thinks is great, and then march themselves to Washington before they can get help is ludicrous. It will not happen and it cannot happen.

Now, we are not asking for a bailout. The Federal Government should set up a framework, which is what the magic of the Baker bill is. It is not perfect. We have never done it before. How could it be perfect? We do not know. But it is a framework in order for these communities to get a sense of what might be available. Then they can talk about what they might do. So there is some urgency, and I hope this Committee will take a close look, and not just go with the Administration line, which is just throw more money down there and think something magically is going to grow like a garden in order.

Senator VITTER. I think there is a way to do both. The way is for us to lead up here in Washington, the Administration, Congress, and create a mechanism to move forward, and a commitment, and all of it is contingent on a clear plan being developed from Louisiana and married to that. And things do not happen, the money is not spent, the money is not disbursed until that happens.

Senator DODD. Got to start here. though. I think you have to start here first.

Senator VITTER. Well, I am actually hopeful we are going to embark on that path. I am hopeful that at the Federal level we are going to have a breakthrough soon either with the Baker bill or a modification of it or increased Federal commitment, and then that has to be married with that vision and detailed plan from Louisiana.

Representative BAKER. Senator, if I may, just to point out that the construct of the corporate organization will take a while. It certainly could be another component of the bill to require at some point, maybe not a systemwide storm damaged impact area, but at least at the parish level a recommendation for consideration be developed over the next 6, 8, 10 months while this is all being stitched together. That certainly is attainable, and I do not expect people at your level to appropriate money not really knowing where it is going to wind up.

At the same time, I want to hit something that has come up in press reports about the spending level, somewhere $100 billion figure came from; for a while it was down at $85 billion. This proposal has morphed over time. There is a cap in the bill today at $30 billion that was adopted in the House. Since that time, I think we could get that figure below $20 billion, because an operating line of credit at $20 billion would fund this corporation quite adequately. And then with the sale of assets going forward, we would be in pretty good shape. So, I do not want the dollar bill consider-

ation to be the basis on which the Committee would reject the proposal.

Senator DODD. Thank you. I apologize taking so much time.

Chairman SHELBY. I have a question, Congressman Baker. I hope you are not contemplating by this plan to build back in areas that we have reason to believe will flood again, and put money in those areas, because if you do, a lot of us would not want to be part of that. But we do want to be part of something to rebuild the area the right way.

Representative BAKER. Yes, sir. I think reasonable people can agree that the structures themselves should be to some predetermined hurricane standard, that where the structures are located needs to be carefully constrained, that where we have people still in the floodplain behind levees, their premiums for their flood insurance reflects the risk associated with it. I think we would take any guidance, Senator, that you would choose to require of us, understanding that those same constraints might be applicable one day to the good people of Alabama.

[Laughter.]

Chairman SHELBY. I think they should be. I thank all of you here this morning. We appreciate your appearance and your contribution.

Senator LANDRIEU. Thank you.

Senator VITTER. Thank you.

Representative BAKER. Thank you.

Chairman SHELBY. We will go to our second panel. Our second panel will be the Secretary of Department of Housing and Urban Development, Alphonso Jackson.

Secretary Jackson, welcome again to the Committee. You are no stranger to the Banking Committee. We welcome you again, and we understand you are on a tight schedule, and we will try not to keep you any longer than you can stay.

Secretary JACKSON. Thank you, Mr. Chairman.

Chairman SHELBY. Your written statement will be made part of the record in its entirety. You proceed as you wish.

STATEMENT OF ALPHONSO R. JACKSON, SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Secretary JACKSON. Thank you so much.

Mr. Chairman, Ranking Member Sarbanes, and distinguished Members of the Committee, it is a privilege to appear before you today.

I would like to say a few words about HUD's overall responsibility to the devastation in the Gulf Coast, and then specifically highlight the efforts of us through mortgage assistance, Community Development Block Grants, rental assistance, and fair housing enforcement.

Immediately after Katrina made landfall, I established a Disaster Response team within HUD to tap the Department's expertise in all of its program areas, and I am proud to report that when the call went out for HUD volunteers, hundreds of HUD's employees stepped forward. By early September, we identified nearly 6,000 vacant HUD-owned properties in 11 nearby States that could be provided, rent-free housing for evacuees for up to 18 months. To

date, 2,300 of these homes have been repaired and made available to these families. More than 1,000 are currently occupied, and another 800 families are in the process of moving in. Of the remaining HUD-owned homes, those that can be made habitable will be offered to families rent free after they are repaired, or be sold at a discount to those evacuees who want to purchase them.

Immediately after Hurricane Katrina I imposed a 90-day foreclosure moratorium to help all FHA-insured homeowners who found that they could no longer pay their mortgage. Right before Thanksgiving, as the initial 90-day moratorium was about to expire, it was clear that the people needed more time, and I extended the moratorium another 90 days.

But recognizing that many FHA-insured families still needed help, we did something extraordinary. HUD announced a Mortgage Assistance Initiative. HUD has made funds available to pay the mortgage of certain eligible families insured by FHA for up to one year. These payments constitute an interest free loan. These families are not required to pay back this loan until they sell their house, refinance their first mortgage, or pay off their preliminary home loan. We are cutting red tape and allowing State and local leaders to put the funds to work as quickly as possible.

Since the storm, HUD's Office of Community Planning and Development has issued more than 40 waivers to its normal program rules. When Congress appropriated $11.5 billion to the Community Development Block Grant fund to 5 Gulf Coast States, it asked HUD to develop a method of allocating the monies. The law required that we target the assistance to the most impacted and stressed area within those States. The decision as to how we allocated the block grant funds was wrenched with particular sensitivity to the utmost housing needs in the area of concentrated housing destruction.

I believe that HUD has both satisfied, Mr. Chairman, the spirit and the letter of the law in allocating these funds. More than a million homes were damaged in these five States. Upon inspection, FEMA classified over 300,000 of these homes as having major or severe damage. Those homes were concentrated in various States as follows: 67 percent in Louisiana, 21 percent in Mississippi, 7 percent in Florida, 4 percent in Texas, and 1 percent in Alabama. Within HUD's own FHA portfolio in these States, nearly 17,000 homes suffered significant damage. Of those properties 56 percent are in Louisiana, 40 percent in Mississippi, 2 percent in Florida, 1 percent in Texas, and 1 percent in Alabama.

Congress required that HUD not allocate more than 54 percent of the block grant fund to any one State. Under this cap, the State of Louisiana was allocated $6.2 billion. By any measure, the greatest need in Louisiana is in New Orleans. Nearly 90 percent of the Louisiana housing damage occurred in the metropolitan area of New Orleans.

Rental assistance. Although it is FEMA's core mission to provide emergency assistance to those adversely affected by natural disasters, HUD has worked in partnership with FEMA to address the immediate housing needs of displaced families. In fact, on September 23, Secretary Chertoff and I announced the Katrina Disaster Housing Assistance Program, better known as KDHAP. I

think it is important to point out that HUD's mission assignment for FEMA was, and still is, to help individual families who received HUD-funded rental assistance prior to Hurricane Katrina.

Recently, Congress appropriated $390 million directly to HUD to fund the Disaster Voucher Program that will expand the assistance to include those directly affected by Rita and Wilma, but again, the rental assistance is only available to persons who previously had HUD assistance. HUD's Office of Public and Indian Housing is also working closely with the public housing authorities to help find housing for our clients independent of the Disaster Relief Program. Approximately 15,000 families are currently enrolled and receiving rental assistance through HUD's mission assignment from FEMA.

Fair housing. Our Office of Fair Housing and Equal Opportunity is diligently working in the Gulf Coast region to make sure that those families who were victimized by these hurricanes are not victimized again by landlords who will illegally deny them housing.

In conclusion, Mr. Chairman, Ranking Member Sarbanes, and Members of the Committee, all of us have been working on the ground in the hurricane ravaged area now, and the damage is clearly heartbreaking. I can assure you the people of HUD will always remember that they come to work, not merely to do a job; we know that we are serving our fellow human beings with real faces and very pained stories. Within the limits of the mission assigned to HUD by Congress, the HUD team will do whatever it takes to help people find housing that they need, to help communities help themselves rebuild.

I want to thank you very much for giving me this opportunity, and I will be willing to answer any questions.

Chairman SHELBY. Thank you, Mr. Secretary. I have a number of questions. I will try to run through them. If you cannot answer them now, if you will answer them for the record, and help us build this record.

Secretary JACKSON. Sure.

Chairman SHELBY. With a large share of the housing in Katrina-impacted areas either destroyed or uninhabitable, as you mentioned, there have obviously been tremendous pressures on the rental market, what is left of it. The Committee has heard a variety of instances, Mr. Secretary, of rent gouging, often seeing rents double or triple beyond their pre-Katrina values only 6 months previously. Is this something that HUD has been seeing as well? Does there appear to be rent gouging in areas in Louisiana, New Orleans area, and also Houston or Dallas? If it is in fact occurring, what can HUD do to moderate this?

Secretary JACKSON. We have seen rent gouging, especially around Baton Rouge and those areas. We sent our team of fair housing equal opportunity immediately down to make sure that this was stopped.

In Houston, Dallas, that has not been the case. They have been extremely willing to work with us to find housing, and it is still very moderate. The fair housing market has not been enhanced very much in those areas. But we saw it exacerbated tremendously in and around the Baton Rouge area.

Chairman SHELBY. Secretary Jackson, will HUD's plans for rebuilding public and assisted housing take into consideration the

risk of future flooding at any specific location? In other words, of the Nation's entire stock of public and assisted housing, do we have any sense of how much of that stock is located in a floodplain or subject to great risk from other natural disasters such as earthquakes?

Secretary JACKSON. I can tell you in a number of cities, the way we built public housing back in the 1930's and 1940's were located in floodplains. Of late, that has not been the case. We believe that clearly—and I have had a number of conversations with the Governor of Louisiana, with the Mayor New Orleans, with the Governor of Mississippi, and we are exploring ways first to make sure that we first shore up the levees, second, that we build the kind of housing that if we have this kind of storm again can withstand it. We have not done that in the past. If you will remember, Mr. Chairman, in Florida we have done some experimental housing which withstood hurricanes, and was easy to clean out. We will continue that.

But President Bush has made it very clear we are not going to impose our will on any of the States, we are going to work in tandem with them to make sure that they know that we are there and we are going to assist them. We have sent our college of experts into Mississippi, into Alabama, and into Louisiana, to work with the Governors, to try to decide how best to rebuild those States.

Chairman SHELBY. But you are hoping not to repeat the same mistakes, are you not?

Secretary JACKSON. Absolutely. It is important that we look at where we build public housing from this point on in this country.

Chairman SHELBY. You referenced this earlier. Congress appropriated $11.5 billion in Community Development Block Grant funding to assist in the rebuilding of the Gulf area. There is a lot of flexibility here, as you well know. Secretary Jackson, could you for the record, share with the Committee what the overall plan is at the moment for using the recently appropriated Community Development Block Grants and how you will coordinate this with the impacted States?

Secretary JACKSON. What we have asked each Governor—and we have had conversations with each Governor—is to submit us a plan. Your instructions are very clear, that this money should be used basically to rebuild those respective areas. We are expecting the Governors to send us a plan very soon. Then we will sit down, discuss those plans and work with them. We have had tremendous and positive dialogue with Governor Barbour, Governor Riley, and Governor Blanco, and we expect to see those plans very soon, and we are going to move very, very quickly and judiciously to begin to operate.

Chairman SHELBY. So you will be closely monitoring the use of these funds, because you are talking about at the moment $11.5 billion is a lot of money.

Secretary JACKSON. I can assure you we are going to monitor, because in the final analysis, you all are going to hold me responsible if it is not spent wisely.

Chairman SHELBY. Thank you. The use of vouchers, you have had a lot of experience in this area. In the aftermath of Hurricane Katrina, there was perhaps no greater issue than finding housing

for displaced families, probably still is. The principal form of disaster housing assistance is the Stafford Act's 408 assistance. Some have suggested instead of using vouchers in the existing public housing network for disaster assistance. I believe your experience in having run—was it the Dallas Housing Authority?

Secretary JACKSON. Yes.

Chairman SHELBY. Gives you perspective on this issue, as the Dallas Housing Authority historically, has a turnover, I understand, of about 1,000 vouchers per year?

Secretary JACKSON. That is correct.

Chairman SHELBY. Do you believe you would have the capacity at HUD to process close to, say, 100,000 vouchers in a matter of weeks?

Secretary JACKSON. Not at this present time, no. We cannot do that. I think that what we have done in the last 12 to 14 weeks in housing some 7,500 of those displaced persons, plus giving vouchers to another 7,500 has been done very expeditiously, and in fact, I must say to you, without the support and help of Texas specifically, and many other States, this could not have been done so quickly.

Chairman SHELBY. I just want to reference the Low Income Housing Tax Credit that you are very familiar with. Congress recently allocated over $1 billion in additional low income housing credits to States impacted by Hurricane Katrina. This additional funding will be used to rebuild rental housing destroyed by Katrina, is my understanding.

Secretary JACKSON. That is correct, on top of the $11.5 billion. That is not in addition to, that is on top.

Chairman SHELBY. Traditionally, a lot of the tax credit properties have tended to be large urban apartment complexes. Most renters in the Gulf States live in single-family homes or smaller apartment buildings. What plan do you have at HUD to work with the State housing finance agencies in assuring that the new tax credit developments, $1 billion, will meet the needs of displaced families? It looks to me like that is where you should target.

Secretary JACKSON. Again, we have asked the State and the local officials, the parish officials, to come together—and I know it has been said it is very difficult to get them to come together. But I think if we are going to do this logically and in an expeditious manner, they are going to have to come up with a plan as to how best we can serve each one of those communities but yet not leave one of those communities behind.

Chairman SHELBY. But you cannot have every community come out with a plan, can you, Secretary Jackson, where the Federal Government is the big payor here?

Secretary JACKSON. No, but once we give the low income tax credit, the State is the allocator of those dollars. And so what we are asking them again to do is to get with their local parish, their local cities, and come up with a plan that they can address.

We will allocate the dollars as you have asked us to do, but in the end—and I think President Bush has made this very clear—we are not going to dictate to any one of those States how to utilize their money, either the Community Development Block Grant or the low income tax credit. But we are going to be there to augment

and work with them to see if we can speed up the process, because we are very sensitive to the needs of those persons who have been displaced to get back to where they want to be. Many of the people of late—and I will tell you this: Surprisingly, but very pleasing, according to what the President said, many of the people now want to come back home, and we want to do everything in our power to help them get back.

Chairman SHELBY. But you do not want to build again in harm's way, do you?

Secretary JACKSON. Absolutely not, and I do not think the Governor and the mayors of those cities want to do the same thing.

Chairman SHELBY. Thank you.

Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. Secretary, I appreciate your testimony, and while it focused on HUD's response, I want to talk about where we go from here. And I also listened intently to your answers to the Chairman's questions, and I also appreciate the view of the Administration not dictating. But while we do not dictate, I also hope that we ensure that one of the great aspects of New Orleans and Louisiana was a multiracial society in which all of the elements of society we have in America were represented there. And, you know, we can ultimately have a plan that does not give us the opportunity for all of the residents that you just talked about going back to get back.

Secretary JACKSON. Sure.

Senator MENENDEZ. And so there is a balance between dictating and ensuring certain things, and that is what I want to pursue.

As I understand it, there are 100,000 public housing units that were destroyed in Louisiana by both Hurricanes Katrina and Rita.

Secretary JACKSON. No, not 100,000.

Senator MENENDEZ. How many were there?

Secretary JACKSON. Just about 10,000.

Senator MENENDEZ. Ten thousand?

Secretary JACKSON. Well, not 10,000. We had to evacuate all, but we had probably of that number, about 3,000 that really suffered tremendous damage in the flood.

Senator MENENDEZ. So all the other units presently are inhabited by individuals?

Secretary JACKSON. Not necessarily so because of the rain, the problem with mold, the problem with a number of other issues that we are trying to get them habitable.

Senator MENENDEZ. So 3,000 were roughly destroyed beyond repair?

Secretary JACKSON. Not beyond repair, but needed substantial repair.

Senator MENENDEZ. Substantial repair. How many units exist in which they are vacant because mold or whatever other circumstances that are less than the substantial repair of the 3,000?

Secretary JACKSON. A number of the units right now, and I cannot give you that number.

Senator MENENDEZ. Could you give the Committee that through the Chair?

Secretary JACKSON. Yes, we have a number.

Senator MENENDEZ. I would appreciate it, because part of the challenge, it seems to me, is what do we do with that part of the society that were living in public housing.

Secretary JACKSON. We are really making every effort, Senator, to bring them back. We have brought back now about 700, and we are doing everything in our power to clean up the units.

One of the things I did not want to do is put people in units that were sub-standard. Many of the units, when we took over the housing authority, had been sub-standard for 20 years, and it is important to understand that we had almost 10,000 units. But about 6,000 were habitable, and 4,000 had basically been unhabitable for more than 15 years.

So we are in the process of totally revitalizing the housing market in the city of New Orleans at this point.

Senator MENENDEZ. Well, that is good news. I am glad to hear that we are not going to put people in sub-standard housing. Now the question becomes: What is it that, while not dictating, is HUD's plan to make sure that those who were in some form of public housing now will be able to come back, hopefully in better housing than they had, using this catastrophe and maybe turning it into a more positive consequence? What is the expectation? For example, does HUD plan to seek the replacement of all of those public housing units that you described, the 3,000 that were significantly affected plus the others that had some degree of affect? And if so, are you seeking a supplemental for that?

Secretary JACKSON. No, because we have insurance, we have other ways of doing that. We have houses that we have just finished, like Desire that was totally submerged. But we have some that clearly we had on the drawing board to totally rehab, reconfigure. And we are still moving in those directions to do that.

Now, those that are not presently on the drawing board, we are going in and fixing those up completely so that people can move back in. But we have a plan, which we have a team of receivers in now, that we have talked about how we are going to revitalize all of the housing that exists for public residents in New Orleans.

Senator MENENDEZ. Is this plan available so that the Committee could review it?

Secretary JACKSON. Absolutely.

Senator MENENDEZ. I would appreciate your submitting it through the Chair to the Committee.

Secretary JACKSON. Sure.

Senator MENENDEZ. Last, let me ask you, with reference to as you create the opportunity to take the disaster and turn it into something good and not put people back in sub-standard housing but still to provide a significant element of society that may not have, at least at this point, the opportunity for homeownership, do you see, for example, a HOPE VI-type of opportunity here? It has in my own State of New Jersey transformed the lives of people who were in public housing, in sub-standard housing, into a sense of neighborhood and economic empowerment. Do you see that as a potential model here in Louisiana?

Secretary JACKSON. New Orleans has a number of HOPE VI that they are utilizing. In fact, when I talked to you about Desire, Desire was one. When I talked to you—I am trying to think of the

one that was also underwater. What was it? Florida was HOPE VI at the same time, and we are going right back in now and revitalizing those at this point in time.

Senator MENENDEZ. We will need some help because the President's budget zeroes out HOPE VI.

Secretary JACKSON. I understand.

Senator MENENDEZ. And that is not much hope. So hopefully we can change that.

Thank you, Mr. Chairman.

Chairman SHELBY. Thank you.

STATEMENT OF SENATOR JACK REED

Senator REED. Thank you very much, Mr. Chairman and Mr. Secretary.

Initially, HUD estimated that approximately 65,000 families would be eligible for the Katrina Disaster Housing Assistance Program. HUD staff have stated that 15,100 people are receiving these vouchers and 7,200 have executed leases. The number of families seems exceptionally low, basically 50,000 families that have not been reached or accommodated. You have received $82 million in mission assignment from FEMA as well as $390 million from Congress.

Given that only 7,200 families have been leased up, it appears that much of these funds will go unspent. How much have you spent on the KDHAP—however you pronounce it?

Secretary JACKSON. KDHAP.

Senator REED. KDHAP.

Secretary JACKSON. I cannot tell you now at that point, but your figures are absolutely correct, Senator. We started out with what we perceived as about 64,000 people, but after our evaluation with FEMA, we brought it down to about 32,000 people and then brought it down to about 24,000 people, is what FEMA told us we had—what they were allocating us to serve. And we are making every effort to serve that number of people today.

But when you say we estimated, no, we thought there were 64,000, but after talking with FEMA, who was the first responder, they came to the conclusion that it was really about 24,000.

Senator REED. It appears to me that these 65,000 families were receiving assistance before the storm. Is that correct? That is the basis of the initial estimate?

Secretary JACKSON. Senator, that was the initial belief, that there were 65,000 families. That is initially what was conveyed to us. After scrubbing what they perceived as the list, FEMA has said that it was about 32,000 families that were eligible based on being public housing residents, 202, 811, or Section 8 recipients.

Senator REED. It would seem to me that HUD would have this initial information themselves, that you would know—FEMA would be considered out of the loop when it comes to how many people have housing assistance in Louisiana, Mississippi, and Alabama, that you would know this.

Secretary JACKSON. No. No, that is not what I am saying, Senator. I am saying to you that we agree with you. That was our postulation. But FEMA is the first responder.

Senator REED. Right.

Secretary JACKSON. They allocated the names of the persons who we were to serve, and we were basically working with the interagency agreement to serve that. We have had discussions about, but that is the number that has been conveyed to us.

Senator REED. I appreciate that, Mr. Secretary, but what it seems is there is a possibility that it could be 50,000 families that were receiving assistance, according to your records, prior to the storm. And now only 15,000 have been identified, 7,200 have actually got leases that are supported by HUD funding. Have we lost 50,000 families?

Secretary JACKSON. I hope we have not, but I am saying to you—I understand your question very well.

Senator REED. What efforts are you making, Mr. Secretary?

Secretary JACKSON. We have made efforts. We have gone to the hotels, we have been going around cities to find these people, and we have been conveying it to FEMA.

Senator REED. FEMA has not exactly the best track record when it comes—so relying on their estimates, I think it might be an invitation to have a lot of Americans out in the cold, literally, or at least the wet and rainy weather of the last several days down there.

Secretary JACKSON. And I understand what you are saying, but under the Stafford Act, FEMA is the first responder.

Senator REED. I understand that. But under the principle that we have to help these people, I suspect HUD should step up a little bit more and find out what happened to 50,000 families.

Secretary JACKSON. We are doing everything in our power, but if we are going to change the process, that is in your hands, not in ours.

Senator REED. Let me change gears slightly. Do you have a timeline, Mr. Secretary, for when the public housing stock will become reconstructed, public, assisted housing, FHA-supported housing? Do you have a timeline? And how does that compare with the private renter and owner-occupied housing?

Secretary JACKSON. I cannot tell you how it compares with the private, but I can tell you that Mayor Nagin has been working very well with us, and we are using a timetable in conjunction with his staff and the receiver staff that we have there. We have started the process on a number of units, rehabbing them, bringing them back online as quickly as possible. But we have some concerns that have been raised by you and by the Senators and Congress people before. Do we build before the levee is secured? Do we build after the levee is secured? And that is a decision, if the mayor makes tomorrow to do it, we will do it tomorrow. But it is his decision. We are not going to preempt his decision. And in many cases, he has been working very well with us, I have to tell you that. And we are making great headway in revitalizing and restructuring a lot of the public housing developments and putting people back into Section 8.

When you talk about multifamily, our Assistant Secretary just met with owners of multifamily housing, 202's, 811's, and they are in the process of moving very quickly to get people back in homes. We are doing everything to get those persons who want to return back.

Senator REED. Thank you, Mr. Secretary. Let me associate myself with the comments by Senator Menendez about the proposed cuts to the HOPE VI program and to the CDBG funding. Whatever we have appropriated in the past, these funds can be very useful in terms of continuing the momentum. That is one concern we have: First, getting it going, and then, second, once we have got some momentum, sustaining that momentum. And without CDBG in the years ahead that could be applied to these areas and with the demise of HOPE VI—which this to me would be a perfect place for HOPE VI projects where you are actually going in and creating mixed-income developments that would literally rebuild previous public housing. And my understanding of HOPE VI is, you know, you really go in and you eliminate old public housing and then you build this new mixed-income—and we have a great example up in Newport, Rhode Island. Well, the first step Mother Nature has taken care of first us.

Secretary JACKSON. Right.

Senator REED. Now, we have the perfect place to do this, and this program is scheduled for total elimination. Not just for the Gulf Coast but for the rest of the country, I think it is an important program. And, again, I think Senator Menendez's concerns are appropriate in terms of both these programs.

Secretary JACKSON. Let me say this: As you know, we have implemented at your directions the Community Development Block Grant funds to the five States that you told us to. Also, I think we have had this discussion before about the HOPE VI. When you look at the amount of money that we have allocated over the last 20 years and the amount of units and cities that have appropriated that money in a timely manner, it is clear to me that those cities who have done well, like you talk about Providence, Dallas, Charlotte, or even New Orleans—New Orleans and Desire—the best example I can give you is Desire. Until we took over New Orleans, Desire had been on the drawing board for 20 years with the HOPE VI, and nothing had happened. We came in and working with the mayor and through a receivership and made it happen. I think to date we have only had—of the 200 or so HOPE VI allocated, we still only had about 35 that have been completed in the last 20 years. And my position is, my suggestion before to the President and to everyone else is the program is not working like it was intended to work, and we cannot keep funding programs if we are not developing.

Now, getting back to Community Development Block Grants, it has worked very well, and we are going to continue to fund it, and we are going to continue to work with cities, because I think it is appropriate. But we must gear the money and the block grant programs to those cities and those communities that are most in need. And I think in this case, clearly, all five of those States fit that category.

Senator REED. Well, I think they do, but I think most cities would claim that they have a certain degree of need.

Mr. Chairman, you have been very kind. I believe Senator Sarbanes is going to return in a few moments, and I have one other question.

Chairman SHELBY. Go ahead.

Senator REED. Thank you, Mr. Chairman.

I am also concerned, Mr. Secretary, about the timing issues associated with HUD grant programs to the affected areas. Section 8 public housing programs, homeless programs, and others may experience reductions because of reduced numbers of clients, tenants, and program staff unless HUD takes some action to ensure that funding is based on pre-Katrina population. These cuts in funding are likely to occur just as people are starting to return to the affected communities, creating another crisis.

Essentially these population-related programs in terms of staffing and support, you could find yourself, if you use existing figures because of the depopulation, underfunding at just the time people are coming back in. How are you going to deal with that?

Secretary JACKSON. We have not taken any money from the New Orleans Housing Authority. The vouchers are still there because we are using KDHAP and then we will use the disaster vouchers. So that is not an issue.

The 202's are still in place, the 811's are still in place. I do not see a cut in funds. In fact, we allocated $1.2 billion more for Section 8 in this budget than we had last time, so I am not sure exactly what you are asking. I do not think New Orleans is going to suffer. Right now, many of the vouchers are basically in limbo because people are using other means of housing around the country.

Senator REED. What about program staff? In terms of if this takes several years to get back up to a critical mass, will you have pressures on your program staff to cut back in those areas? Or will you be perhaps even putting more in? What is that situation?

Secretary JACKSON. To be very honest with you, Senator Reed, I have not given that thought, because our thoughts have been first to get people housed who want to get housed. And I will give that a thought and get back with you. I had not thought about that.

See, presently, from my understanding, the staff at HANO has been paid, and many of them have not been in the city. But people who are concerned about not paying them with the—if we did not pay them, the chances of them returning might not be great. So many of the people are now returning. So for 3 or 4 months, they were paid but they were not there because of the flood.

So, I guess if I answer, I do not think that is a problem because they are returning now.

Senator REED. Thank you, Mr. Chairman. I do think, though, that Senator Sarbanes is en route.

Chairman SHELBY. He is on his way, I understand.

Senator REED. Thank you.

Chairman SHELBY. Mr. Secretary, the Community Development Block Grant program seems to me is a step in the right direction down there. This would be under your supervision and, of course, our oversight.

Secretary JACKSON. That is correct.

Chairman SHELBY. Have you thought about expanding that? Have there been any suggestions on that? I think we have heard Congressman Baker's plan, Senator Landrieu's, Senator Vitter's here this morning. I do not think there is any plan that cures everything in New Orleans, but I think we all want to help. But we want to make sure that money is spent well. We want to make

sure that money is used for the right reason. And I personally want to make sure, if I can, as much as I can, that we do not rebuild in harm's way. Whether it is in Lakeview—is that an area down there, the upper-income area?—or whether it is in the Ninth Ward, it does not matter to me.

Secretary JACKSON. That is correct.

Chairman SHELBY. I just think that is foolish on our part, trying to help people and also protect the taxpayer.

Secretary JACKSON. I think, Mr. Chairman, that we at HUD understand the needs of the people and the affected area. And I can tell you, we share the common goal of Congressman Baker to provide effective and responsible support for the region. If we did not, clearly, we would not have allocated $6.2 billion. I think they have monies to start doing exactly what they were talking about. The key to it is all they have to do is submit a plan. And I think if they demonstrate submitting a plan and began to work, you will be amenable to adding more money.

Chairman SHELBY. What is the holdup on the plan? This is 6 months now. We are in the sixth month since the disaster. What is the holdup? Is it petty politics?

Secretary JACKSON. You know, I do not know. I know you have allocated the money, and we have asked them to submit a plan. And I have talked to the Governor, and she said she is going to submit us a plan. We have the plan and the process.

Chairman SHELBY. Okay.

Secretary JACKSON. So my position is that—I have heard it said, "Well, we cannot get started." The money is there. They can get started. And if they demonstrate that the money is being spent wisely and judiciously to bring people back, then I am convinced you will allocate more money.

Chairman SHELBY. But we cannot just allocate money without a plan, and without a plan that makes sense.

Secretary JACKSON. I agree.

Chairman SHELBY. A plan that will work and will help people now and in the long-run. Is that correct?

Secretary JACKSON. That is correct, because in the end, if the money is not allocated properly or not spent properly, you are going to look to me and GAO is going to look to me and ask me why didn't I make sure the money was spent properly.

Chairman SHELBY. That would be our responsibility.

Secretary JACKSON. That is right. And as you asked us with the Lower Manhattan Development Corporation, we have made sure that that money was spent properly by audits every 3 months, having the Inspector General go in, and we will do the same thing in the Gulf region.

Chairman SHELBY. Thank you.

Senator Sarbanes.

Senator SARBANES. Thank you very much, Mr. Chairman.

Secretary Jackson, members of our staff recently toured the devastated areas down there. One of the reports they brought back was the failure of HUD and the Housing Authority to work together to take action to preserve some of the public housing stock. Let me give you a very specific example: The Lafitte Housing Development survived the hurricane apparently pretty well. They suf-

fered about 12 inches of flooding, but otherwise it was undamaged and, in fact, people were coming—nonresidents were coming trying to get shelter at that particular housing project.

But no one moved in to do anything about cleaning up the situation, so the mold took over. And now they have floor-to-ceiling mold. Now we have a really big problem.

How did this happen? How did we let it just get out of hand like that?

Secretary JACKSON. We did not let it get out of hand. The mayor is the mayor of that city, and he made a decision that he did not want people back, nor did he want us in that area. The moment he has permitted us to do that, we have gone in and worked with the Housing Authority. The Housing Authority and I are not in conflict. In fact, Senator Sarbanes, the Housing Authority is in receivership. We are controlling it, so we cannot be in conflict.

Also, we agree with you that the Lafitte mold problem has been a problem, and we are cleaning it up right now, bringing people back.

Senator SARBANES. No, I want to know why was a little problem allowed to become a very big problem?

Secretary JACKSON. That is very simple.

Senator SARBANES. The mayor would not let you go in and deal with a little problem?

Secretary JACKSON. That is right. It sat there a week under water. So, clearly, mold was going to set in. And the moment we had the opportunity to go in, which was about 3 weeks later, which he said, we began the cleaning process.

So if you are saying did we have control, no, because the mayor was controlling the city.

Senator SARBANES. So he would not allow you in in order to clean it up?

Secretary JACKSON. That is right, because it was flooded and we had to let the water recede. The same thing happened in Desire. The same thing happened in Florida. We could not go into those areas until the water receded.

Senator SARBANES. And you were in there as soon as the water receded?

Secretary JACKSON. Yes, we were.

Senator SARBANES. Or the mayor still kept you out?

Secretary JACKSON. No. We were in there. But the mayor made it clear that he did not want people in certain areas of New Orleans, and we did not go in.

Senator SARBANES. Well, you have given us a pretty good factual exposition for examination, and we will examine it very carefully.

Secretary JACKSON. And please do.

Senator SARBANES. Now, there have been reports that because of the limited housing stock in New Orleans, rents have risen dramatically, but HUD has not increased the fair market rent which guides how much voucher holders receive in rental assistance. It also guides what FEMA can provide in housing assistance. So it is not just solely a HUD-related problem because others use that standard for various aspects of their program.

What can we do to address this fair market rent problem in the impacted areas so they more accurately reflect current rental conditions?

Secretary JACKSON. I am not sure, Senator, who gave you that information. First of all, it has been difficult for us to find apartment complexes in and around New Orleans. Had they said that we had a problem in and around Baton Rouge, they would be absolutely correct, and we have sent our Fair Housing Equal Opportunity people in there to make sure that these residents in and around Baton Rouge are not gouged. But that has not been a substantial problem in and around New Orleans, not since the flood, because many of the residents have not been able to go back. And, in fact, that is why the mayor and many of the parish presidents have asked for trailers to come in because they do not have enough rental apartments in and around to be utilized.

Second, that is why we met with many of the owners of our multifamily properties, because they were submerged in water, and they are getting in the process of redoing those apartments. So if the person had said that we have a problem in and around Baton Rouge, I would agree with you, and we have been very active in making sure that that is addressed.

Senator SARBANES. You have addressed the fair market rental problem there?

Secretary JACKSON. Yes, we have.

Senator SARBANES. Okay. Now, let me ask you, we passed in the Senate emergency voucher legislation. The thinking was that we would provide these emergency housing vouchers. The Administration could then move with those housing vouchers and get people into housing. I mean, there is not much housing there, but in other parts of the country. So they could get them out of temporary housing and into more permanent housing.

The private sector had come along and said, you know, we are doing surveys of our ownership, the multifamily people, the apartment owner people, and we are ready to provide a list of available opportunities. The Administration did not support that in the House side, and it died over on the House side.

Why did you let a possibility for something that clearly could produce, we think, good, quick results to falter?

Secretary JACKSON. Because you all had allocated billions of dollars through FEMA, which we had an interagency agreement with to provide our public housing, Section 8, 202, 811 people with apartments around the country, and we did that.

Senator SARBANES. Yes.

Secretary JACKSON. So we did not—I cannot tell you why it has died, but I can tell you we had money, whether it is Philadelphia—and I went to a number—Houston. We have people housed right now in KDHAP. That is Federal money that is up to 18 months, and once that is done, they are going to the disaster funds that you have allocated just lately of $360 million.

Senator SARBANES. But those were for people already receiving that form of assistance, correct?

Secretary JACKSON. That is correct, from New Orleans and the Gulf area.

Senator SARBANES. What about people who were not already receiving that form of assistance but are in dire circumstance and, if fed into the voucher program, it would have met their needs?

Secretary JACKSON. That is the responsibility of FEMA, not ours.

Senator SARBANES. Did you suggest to anybody that you all could get in there and do a good job of this? That is what we said on the floor. If you go back and look at some of the discussion, without casting invidious comparisons to FEMA, some nice things were said about HUD's ability to work this Section 8 voucher program.

Secretary JACKSON. And we appreciate that. I have made strong suggestions, but I think the key to it is, as I just said, I think to Senator Reed or Senator Menendez, that has to be changed. The Stafford Act has to be changed. The Stafford Act is clear. FEMA is the first responder, and we have an interagency agreement to work with them. And those persons who they designated for us to house, we have housed.

Senator SARBANES. I think the FEMA person is going to be before us shortly. Is that right, Mr. Chairman?

Chairman SHELBY. That is my understanding.

Senator SARBANES. Thank you very much, Mr. Secretary.

Secretary JACKSON. Thank you, Senator.

Chairman SHELBY. Senator Reed, do you have any questions?

Senator REED. I do not, Mr. Chairman. Thank you.

Chairman SHELBY. Mr. Secretary, I know you are on a busy schedule and you have to catch a plane. We appreciate your candor with us, and we will continue these hearings. As you will probably realize, we are going to bring in the local and State people and see what their perspective is on all this as soon as we get back from our recess and schedule this. And I know you will be watching that, too.

When you get a specific plan, a workable plan, I hope you will share that with the Committee.

Secretary JACKSON. I surely will, because Senator Reed and Senator Menendez——

Chairman SHELBY. Absolutely.

Secretary JACKSON. Thank you.

Chairman SHELBY. Thank you, Mr. Secretary.

Chairman SHELBY. Our third panel will be Mr. Donald Powell, the Federal Coordinator of Gulf Coast Rebuilding, no stranger to this Committee; he was Chairman of the Federal Deposit Insurance Corporation; Mr. David Garratt, Acting Director, Recovery Division, Federal Emergency Management Agency; and Mr. Martin Gruenberg, Acting Chairman, Federal Deposit Insurance Corporation, no stranger here; Mr. Herbert Mitchell, Associate Administrator for Disaster Assistance, Small Business Administration.

Gentlemen, we appreciate all of your patience here today. We think this is a very important hearing. We will have more, as you can tell we will need, to better understand the program, to make sure we are informed as to the possibilities and probabilities of what we can help you do and do it right.

All of your written testimony will be made part of the record in its entirety, and if you will briefly sum up whatever you want us to hear here today. Mr. Powell, we will start with you. Thank you, and welcome back to the Committee.

STATEMENT OF DONALD E. POWELL
FEDERAL COORDINATOR,
OFFICE FOR GULF COAST REBUILDING

Mr. POWELL. Thank you, Mr. Chairman, Ranking Member Sarbanes, and Members of the Committee. I appreciate your asking me to appear before you today.

In the aftermath of one of the most powerful and destructive natural disasters in our Nation's history, President Bush created the Office of the Federal Coordinator for the Gulf Coast Rebuilding and asked me to head it within Secretary Chertoff's DHS. I knew it would not be easy, and that is an understatement. But the work is very important to the people of the Gulf Coast, as well as our Nation as a whole. The President remains steadfastly committed to supporting the local recovery and rebuilding efforts in the most responsible and effective way possible.

In this role, I am tasked with coordinating the long-term Federal rebuilding efforts by working with State and local officials to reach consensus on their vision for the region. Today, I plan to outline the progress we have made in the Gulf Coast region, and by region I mean not just New Orleans but the entire Gulf Coast, from East Texas to Florida.

The entire Gulf Coast region is of great historical, cultural, and economic importance to this country, and we will make sure that these Americans get back on their feet and rebuild their lives. Whole communities have been ravaged by Katrina and Rita, but I am confident that together we will ensure that these Americans get back on their feet and rebuild their lives. My fundamental job is to work with the people on the ground to identify and prioritize the needs for long-term rebuilding.

The President has made it abundantly clear that the vision and plans for rebuilding the Gulf Coast should come from the local and State leadership, not from Washington, DC. Rebuilding should not become an exercise in centralized planning. It is my belief that if the Federal bureaucrats determine the path of rebuilding, local insight and initiative will be overrun and, therefore, local needs overlooked. If the heavy hand of the Federal Government impedes the private sector's proven ability to speed the recovery, it will take longer and be more expensive to rebuild.

President Bush has made a commitment that the Federal Government would be a full partner in the recovery and the rebuilding of the areas devastated by Hurricanes Katrina and Rita, and he is keeping that promise. To date, the Federal Government has already committed over $87 billion for the recovery effort, and another approximately $18 billion is being requested in the upcoming 2006 supplemental package, which would bring the total Federal commitment to over $100 billion. Those are real taxpayers' dollars being used every day for short- and long-term housing, economic development and job creation, loans to businesses and homeowners, aid to farmers, schools, and infrastructure projects, like the levees, roads, bridges, and the ports.

I was a community banker for close to 40 years before I came to Washington, so I understand the importance of a fiduciary. And we must all work together to be good stewards of the substantial amounts of money that have been and will continue to be spent on

this effort. Each of you and all Members of Congress have an important role in protecting the health of the American tax dollars. If Americans see their tax dollars being ill-spent, their critical support for the relief and recovery effort in the Gulf will wane. It is my duty to ensure that any plans or strategies are conducive to the prudent, effective, and appropriate investment of the taxpayer dollar. That is why we have always said it is important for State and local leaders to have a solid plan in place for use of the rebuilding funds.

When I made my first trip to the Southeast Louisiana region last fall, I asked everyone I visited with, "What are the three most important issues?" The answer time and again was, "Levees, levees, levees." So, I went back to Washington and told the President what I had heard and saw, and that safety was the first critical issue that needed to be tackled as part of the long-term rebuilding in the New Orleans area. People must feel safe and secure in their decision to come back—whether as a resident or a business owner.

The President responded quickly to this need and requested Congress to double the Federal commitment to $3 billion to make the levees that surround the New Orleans area stronger and better than ever before. Besides returning the levee system to better than pre-Katrina levels before next hurricane season, the President's request to Congress also included the addition of floodgates and pumping stations to interior canals, selective armoring of levees, the initiation of wetlands restoration projects, and additional storm-proof pumping station. I receive routine briefings from the Army Corps of Engineers, and they are on track to meet their deadline to repair the damage from Katrina and to improve design flaws before the beginning of next hurricane season.

I knew our next focus needed to be housing. Throughout the Gulf Coast, people are worried about where to live, where to rebuild, and to what building code. Late last year, Congress set aside $11.5 billion in Community Development Block Grant funds for the Gulf Coast. The CDBG program is a well-tested mechanism that provides States with great flexibility in how funds may be spent. CDBG allows those closest to the problem to make direct grants. In fact, that is the greatest attribute of the CDBG funds: They allow the State leaders, those closest to the local issues, to make the decisions on where to best use the money.

Just last week, the Louisiana Legislature submitted its own legislation to use CDBG monies and other Federal assistance to create a housing corporation on the State level. My office is currently working with the State on that plan. We believe that it may be a more workable solution than H.R. 4100, a bill that would create a Federal bureaucracy and put Uncle Sam in the real estate business, a plan that we did not support. Let us be clear, and you have my promise here: If after spending all the allocated Federal funds there remain unmet needs, I will come back to Congress and ask you to help ensure that additional resources are available and needs are met.

Of course, there is no need for housing if there are no jobs or the economy grows stale. That is why at the end of 2005, the President signed into law the Gulf Opportunity Zone Act. The legislation, providing approximately $8 billion in tax relief over 5 years, will help

revitalize the region's economy by encouraging businesses to create new jobs and restore old ones. Here are just a few aspects of the GO Zone: Tax-exempt bond financing for both residential and non-residential property; changes to the low-income housing credit; bonus depreciation; expensing for certain demolition and clean-up costs. Simply put, this law renews businesses, rebuilds homes, and, more importantly, restores hope.

Other parts of the Government have been working to help get the economy back on its feet. For example, the SBA has adopted and ramped up its capacity in order to provide loans and working capital to small businesses and families. SBA disaster loans provide vital low-cost funds for homeowners, renters, and businesses to cover uninsured disaster recovery costs as well as loans for the working capital needs of businesses affected by the disaster. Since last year's hurricanes, SBA's Disaster Loan Program has approved over $4.3 billion in disaster loans to over 60,000 homeowners, renters, and businesses affected in the region. Given SBA's ongoing commitment to small business owners in this region, it is imperative that Congress approve any monies to SBA in the upcoming 2006 supplemental package.

Workforce development will also be critical to long-term economic security. The Secretary of Labor and I attended a meeting in December 2005 with the President, labor leaders, civil rights groups, and business associations to discuss workforce initiatives and overall employment issues facing the region. She and I tasked those leaders with devising a plan to prepare the workers of the region for the future of the Gulf Coast economy. We recently completed the plan and look forward to implementing the program in May of this year in New Orleans. Our goal is this: We want to help create as many jobs as possible in the Gulf Coast and prepare its residents to fill those jobs. We will continue to work to help make the Gulf Coast not just a great place to live, but also a great place to invest and to do business.

Let me close by saying that the Federal Government will continue to help strengthen, but not replace, State and local government or private initiatives. We will continue to help that our fellow citizens meet the challenges of reconstruction and rebuild their lives and communities for the years to come. There is no doubt that a tremendous amount of work is still ahead of us, and we are heartened and encouraged by the progress made. I look forward to continuing to work with the leaders in Alabama, Louisiana, Mississippi, Texas, and Florida in the days, weeks, and months ahead to assist in the implementation of their respective visions while also serving as a good steward of the taxpayer dollars, which the distinguished Members of this panel, along with your colleagues, have helped secure.

The residents of this area and the President agree on this. Failure is not an option. Working together, we can return the Gulf Coast to its rightful place in the American landscape. While the hurricanes caused much tragedy, I believe, as my father used to say, "Good things can come from bad." It is too important a task not to do it right.

Mr. Chairman, this concludes my testimony. Thank you.

Chairman SHELBY. Mr. Garratt.

STATEMENT OF DAVID GARRATT
ACTING DIRECTOR OF RECOVERY,
FEDERAL EMERGENCY MANAGEMENT AGENCY,
U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. GARRATT. Thank you, Chairman Shelby and Ranking Member Sarbanes. I am David Garratt, the Acting Director of Recovery at FEMA, and I am representing Secretary Chertoff and Acting FEMA Director David Paulison. It is my honor to appear before this Committee to summarize and discuss our emergency sheltering and housing efforts in support of Hurricane Katrina and Rita victims, as well as our overall efforts to contribute to the rebuilding of the Gulf Coast.

We at the Department of Homeland Security and FEMA appreciate your interest in the housing challenges presented by the scope and scale of these unprecedented disasters. I think we all recognize that these hurricanes, and Katrina in particular, have thoroughly tested the capabilities of impacted State and local governments, FEMA, the Department, and the Nation, including the many States and communities nationwide who are hosting displaced victims and evacuees from the affected Gulf region. And yet while these events have tested our plans and processes as never before, FEMA's sheltering and housing programs have provided or facilitated the means for hundreds of thousands of evacuees to quickly secure interim accommodations, even as we continue to fund and facilitate an aggressive strategy to transition those individuals and families into longer-term, and more stable, housing solutions.

It has been a challenging time—nearly 6 months since Hurricane Katrina made landfall—for victims, communities, States, voluntary agencies, and the Federal Government alike. And while we have made significant strides in addressing the pressing housing needs of victims across the country, many challenges and difficult decisions remain. Nevertheless, we have been and remain committed to helping households recover and reestablish themselves.

Recognizing that the road to recovery required that we remove families from congregate shelter environments as quickly as possible, FEMA authorized States, within days of Hurricane Katrina's landfall, to relocate families to hotel and motel rooms. At the same time, the American Red Cross initiated a similar hotel/motel subsidy program, as authorized by a statement of understanding with FEMA. Together, FEMA, the States, and the American Red Cross facilitated the relocation of thousands of families to more private and humane living conditions. In late October 2005, FEMA agreed to assume responsibility for funding the hotel/motel subsidies of those households placed by the American Red Cross, which has been, and remains, a stalwart and dependable partner of FEMA and the Federal Government in disaster response and recovery operations.

Throughout the intervening months, we have worked with more than 7,500 hotels and funded over 3 million room nights. However, nearly 6 months removed from Katrina landfall, the time has come to end the sheltering phase of the recovery and complete the transition of Katrina and Rita evacuees to more stable temporary housing and, where feasible, permanent housing. For many, this will be a difficult transition, as not every household will be eligible for

Federal assistance, nor will every household be able to immediate return to their predisaster homes or hometowns. Nevertheless, during this period we have diligently and ceaselessly, using community relations and voluntary outreach teams, made repeated efforts to contact every victim registered and subsidized in every single hotel or motel room across the United States, to make sure every hotel and motel occupant household has every opportunity to take advantage of all available transition assistance.

One of the biggest challenges facing the recovery effort is finding and securing sufficient rental assets to meet the huge demands created by this mass exodus of evacuees. Fortunately, numerous dwellings have been made available by other Federal agencies. To date, over 11,000 evacuee households have been placed in Federal housing resources across the Katrina-Rita impact areas. For example, the U.S. Department of Agriculture has made thousands of such dwellings available. In Louisiana alone, 1,100 families have been placed in USDA houses. We have also entered into an interagency agreement with the Department of Veterans Affairs to make their unsold housing units available for evacuee rental and are actively pursuing a similar arrangement with Fannie Mae.

In addition, the U.S. Department of Health and Human Services recently announced $550 million in funding to the 50 States and the District of Columbia for additional hurricane relief. These funds will come from the Social Services Block Grant program administered by HHS' Administration for Children and Families. They will be given to States to provide health care, mental health, and social services, as well as for the repair, renovation, and construction of facilities providing those services to victims of Hurricanes Katrina, Rita, and Wilma.

We have been collaborating closely with HUD from the outset of this event, working together to reconcile and apply our respective authorities and capabilities to provide maximum benefit to those most in need of housing assistance. In addition to partnering with the Department of Homeland Security and FEMA through their KDHAP program, HUD has made repossessed houses available to FEMA-eligible disaster households and has placed hundreds of disaster victims in houses in the four-State area, including 207 families in Texas alone. Today, both here and in the field, HUD teams and personnel continue to work closely with FEMA to identify and assist eligible disaster victims, wherever they may be.

HUD also recently announced its plan to allocate $11.5 billion in disaster funding among five Gulf Coast States impacted by Hurricanes Katrina, Rita, and Wilma. The emergency funding is provided through HUD's Community Development Block Grant program to specifically assist Louisiana, Mississippi, Florida, Alabama, and Texas in their long-term recovery efforts. This along with HUD's Disaster Voucher Program, created through a $390 million supplemental appropriation in the Department of Defense Appropriations Act of 2006, will provide ongoing temporary rental assistance for people displaced by Hurricanes Katrina and Rita who at the time lived in public housing, had a voucher, or were homeless.

While transitioning so many displaced households into temporary housing has been and will continue to be a challenge, FEMA and

its partners at every level of government and within the private sector are committed to work together to find timely and equitable solutions.

Recognizing the immense scale and complexity of the long-term recovery challenges and considerations facing the Gulf Coast, the President established the Office of the Federal Coordinator for Gulf Coast Rebuilding and appointed Chairman Powell to lead that organization's efforts. To help ensure that the Department of Homeland Security and FEMA are coordinating fully with Chairman Powell, and that maximum collaboration takes place between our organizations, FEMA recently appointed Mr. Gil Jamieson as the Deputy FEMA Director for Gulf Coast Recovery. In this role, Mr. Jamieson will oversee FEMA recovery operations across the Gulf States and will be coordinating closely and routinely with Chairman Powell and his staff.

We all realize that this road to recovery will be a long one, fraught with challenges and frustrations along the way. Nevertheless, this Agency, this Department, and this Administration remain committed to the mission: The successful restoration of a socially and economically vibrant Gulf Coast.

Thank you. I am prepared to answer any questions you may have.

Chairman SHELBY. Mr. Gruenberg.

STATEMENT OF MARTIN J. GRUENBERG
ACTING CHAIRMAN,
FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. GRUENBERG. Thank you, Mr. Chairman, Senator Sarbanes, Members of the Committee. I appreciate the opportunity to testify on the efforts of the FDIC and the other Federal regulatory agencies to respond to the impact of last year's devastating hurricanes on federally insured financial institutions and their customers in the Gulf Coast region.

Before I begin, I would like to express the gratitude of the FDIC to the Committee for the enactment of the deposit insurance reform legislation. The FDIC believes that the legislation will result in a more safe and sound deposit insurance system, and we understand it would not have occurred without your leadership and support.

I would also like to acknowledge former FDIC Chairman Powell's critical role in that effort.

Chairman SHELBY. Thank you.

Mr. GRUENBERG. Mr. Chairman, in December, I traveled with FDIC staff to New Orleans and Mississippi. We met with local financial institutions, the State banking commissioners, and local community group leaders. As many have observed, it is difficult to appreciate the challenge confronting the Gulf Coast region until visiting the area and seeing firsthand the scale of the damage. It is also impossible for me to visit the area and witness the determination of the local financial institutions and community leaders to rebuild their communities without feeling a renewed sense of the obligation of the FDIC and the other Federal financial institution regulatory agencies to do all we can to assist them in that effort.

I will briefly summarize my written testimony, which reviews the actions taken by the FDIC and other regulatory agencies following

the storms. I will also provide the FDIC's current assessment of the impact of the hurricanes on the condition of the federally insured financial institutions in the region and discuss outreach efforts planned in the near-term.

Chairman SHELBY. The full statement will be made part of the record. Yes, we need to move on.

Mr. GRUENBERG. At the outset, I want to point out that much of the work of the FDIC described in the written testimony took place when Chairman Powell was Chairman of the FDIC. We wanted to acknowledge that as well.

When Hurricanes Katrina and Rita hit the Gulf Coast, they impacted the operations of at least 280 financial institutions, with 120 of these institutions headquartered in the 49 counties and parishes in Alabama, Louisiana, and Mississippi designated by FEMA as eligible for individual and public assistance. Similar to other sectors of the Gulf Coast economy, financial institution facilities were destroyed, communication and data processing capabilities were disrupted, and financial institution employees saw their homes destroyed or inundated with flood waters.

In the aftermath of the storms, the FDIC, along with the other State and Federal agencies, were committed to doing everything possible to preserve public confidence in the financial system and restore essential financial services. The agencies immediately began working with financial institutions to help them resume operations and with customers to communicate accurate information about their institutions and how they could get needed cash.

From the outset, the agencies recognized that we were dealing with extraordinary circumstances. Immediately after Katrina made landfall, the agencies urged financial institutions to be flexible with borrowers experiencing disruptions due to the storm. During the past 6 months, the agencies have encouraged financial institutions to work with borrowers by deferring loan payments, extending repayment terms, restructuring loans, easing terms for new loans, and providing short-term loans for living expenses until insurance proceeds are received.

Historically, no financial institutions are known to have failed as a result of natural disasters. In fact, community financial institutions traditionally have played a critical role serving the areas most severely affected by the hurricanes. However, due to the scale of destruction left by these storms, it remains difficult to determine the applicability of experiences from previous disasters to the current situation.

The 120 insured institutions headquartered in the 49 designated disaster counties and parishes are relatively small community financial institutions. According to financial data for these institutions, about three-quarters of them hold less than $250 million in assets, and only five have assets greater than $1 billion.

Although most of these 120 institutions were financially strong before the hurricanes, financial results to date do not yet provide a clear picture of the full effects of the storms since many of the institutions in the area continue to extend loan deferrals and are still communicating with customers to develop long-term rebuilding plans. Nevertheless, recent financial results provide some indications of how the institutions may be reacting and adjusting to the

effects of the hurricanes. Post-hurricane data reveal that a number of institutions operating in areas hit hard by Katrina are moving fairly aggressively to build loan loss allowances and experienced a pick-up in charge-off rates. Consistent with this, 20 institutions reported net operating losses for the fourth quarter. Despite these losses, all institutions remained "well-capitalized" or "adequately capitalized," reflecting the strong capital positions of most institutions prior to the hurricanes. Liquidity for most of the institutions also remains strong.

Looking ahead, there is considerable uncertainty regarding the prospects for the institutions most directly affected. Over the medium-term, the greatest source of uncertainty is the effect of the hurricanes on credit quality. Over the longer-term, the prospects for these institutions will be determined largely by the economic prospects of the communities they serve.

With respect to credit quality, the outlook for each institution will depend on a variety of currently unknown factors, including reimbursement amounts and timing of insurance proceeds, borrowers' repayment capability, collateral protection, and the availability of financial assistance programs. The FDIC is utilizing both supervisory outreach and data analysis to assess the extent to which the insured institutions in the region may experience medium- to long-term credit quality and profitability issues.

The FDIC and other agencies contacted all 120 insured institutions previously mentioned in the aftermath of the hurricane. During December 2005, examiners from the FDIC and other agencies also visited many of these insured institutions. Beginning in January, the agencies resumed their comprehensive examination programs that were suspended at the time of the storms.

In addition to this type of supervisory analysis, the FDIC is conducting off-site research utilizing mapping tools and data from a variety of sources to provide us with additional information.

As a result of these efforts, we have narrowed our focus from the initial group of 120 institutions to a small group of institutions, which we will continue to monitor most closely. As suggested earlier, the prospects for the financial institutions most affected will depend in large measure on the efforts underway to rebuild and revitalize the communities they serve.

Mr. Chairman, with one last note, if I may, in addition to the regular supervisory activities of the agencies, the agencies are hosting a forum in New Orleans on March 2–3. "The Future of Banking on the Gulf Coast: Helping Banks and Thrifts to Rebuild Communities" will focus on short- and long-term challenges facing banks and thrifts operating in areas affected by the hurricanes and ways to help these institutions rebuild their communities. The agencies are inviting to this forum executives from all the community financial institutions in the region, the larger regional financial institutions, as well as a number of large institutions from around the country with operations that are national in scope. State banking supervisors and other Federal Government agencies will also participate in the forum.

The purpose is to encourage partnerships between the large and the smaller institutions, which will be, we believe, both to their

mutual benefit and to the development of the economy of the region.

Thank you very much, Mr. Chairman.

Chairman SHELBY. Mr. Mitchell, if you would just briefly sum up your testimony.

STATEMENT OF HERBERT MITCHELL
ASSOCIATE ADMINISTRATOR,
OFFICE OF DISASTER ASSISTANCE,
SMALL BUSINESS ADMINISTRATION

Mr. MITCHELL. Certainly, Mr. Chairman, and Senator Sarbanes, thank you for the opportunity to appear here today. My name is Herb Mitchell. I am the Associate Administrator for Disaster Assistance at the Small Business Administration.

The SBA Disaster Assistance Program, administered by the Office of Disaster Assistance, is the primary federally funded disaster assistance loan program for funding long-term recovery for renters, homeowners, and nonagricultural businesses. It is the only program at SBA that is not limited to small businesses.

Hurricanes Katrina and Rita unleashed an unprecedented tragedy on the Gulf Coast, demanding an unprecedented response from the Federal Government, including SBA. The numbers, obviously, that we have seen in this disaster have just simply been staggering. We have not seen anything like it in the history of the Disaster Loan Program. In the first 70 days after Katrina hit, SBA received over 220,000 disaster loan applications, and as of this week, we have received 375,000 applications from victims in the Gulf Coast.

To put this in perspective, after the four hurricanes in 2004, SBA only received a total of 202,000 applications. That number is approximately one-half of what we ultimately expect to receive as a result of Hurricane Katrina.

The disaster affected an area of more than 90,000 square miles and five States. We have mailed, in response to those who have registered with FEMA over, 2 million applications. And just to put it in perspective again, the largest previous disaster we responded to being the Northridge earthquake, we received 250,000 applications over a period of 18 months. To date, after 6 months, we have already received 375,000 application, and the expectation is that it will exceed 400,000 by the deadline of March 11.

Despite the damage that occurred and the volume of applications that we have received, in the first 88 days, approximately 90 days from the time of the declaration to that point, we had approved $1 billion in disaster loans. But we certainly have put a lot of things in place to expedite the process, bringing on almost 3,200 employees. At the time we had about 800 employees, we are now well over 4,000. In 28 days, we approved the next billion; in 17 days we approved another billion. And it is basically going at a pace of almost every 10 to 15 days an additional $1 billion is being approved through the Disaster Loan Program.

Due to the improvements in the loan processing capabilities, the SBA is well-prepared to continue to respond to the victims in the Gulf. We have completed over 90 percent of the property damage inspections that we need to do. We have completed 247,000 inspec-

tions. We have completed close to 85 percent of the business applications. Those businesses requesting assistance only for working capital, well over 90 percent of those applications have been completed. And we are certainly well on our way to completing the remainder applications from homeowners and renters as well.

With that, I would certainly be glad to answer any questions that you have.

Chairman SHELBY. Thank you very much. Mr. Powell, would you very briefly share with the Committee what do you see as the respective roles of the State, local, and Federal Government in rebuilding the Gulf area?

Mr. POWELL. I think the roles of the State and local governments are paramount. As I mentioned in my testimony, I think the plans for rebuilding the Gulf Coast area must be theirs, and the Federal response is to understand those plans, understand the strategies to implement those plans, and the cost associated with it.

Chairman SHELBY. Why is it taking so long to put a plan together?

Mr. POWELL. I think Mississippi has a plan.

Chairman SHELBY. Let us just focus on Louisiana, then we will go to Mississippi.

Mr. POWELL. Okay. In Louisiana, you have a large metropolitan area, and you have parishes that have presidents that are responsible to the people, and they have council members. The politics of Louisiana is somewhat unique, and the people are very engaged on the local level, and you have competing demands as well as you have the State legislature, you have the north and the south, and you have also the southeast. So it is a more complex issue. You have a large metropolitan area and you have these parishes that are unique by their very nature, and they have individual and distinctive needs.

Chairman SHELBY. But is not the common denominator that has to come with any plan, it has to be a viable plan, it has to make a lot of sense. It cannot just be 100 plans.

Mr. POWELL. That is true. That is my job. I have met with all those people, and encouraged them, Mr. Chairman, to come with one plan, one vision, one spirit for rebuilding their areas, and I am convinced—and I have listened to a lot of people and I have talked to a lot of people—that first of all they have some plans that are being developed, that we will have one coordinated plan in a very short order.

Chairman SHELBY. That plan, I hope, is not going to encourage people to build back in a flood area or an area that is more than likely to flood where the taxpayers will be the risk again as the people will be at risk.

Mr. POWELL. The people of Louisiana understand that, but it must be their plan, and they must plan for their individual neighborhoods. I think that is a very important element of it, but they understand they do not want people rebuilding in harm's way. The cost of that associated with is important, but there are unique challenges with all of those. Again, I am convinced that the people will come together with one plan.

Chairman SHELBY. Mr. Gruenberg, to what extent did FDIC-insured institutions in Katrina-impacted areas comply with the flood

insurance program's mandatory purchase requirements, if you have that? If you do not, you can furnish it for the record. Go ahead.

Mr. GRUENBERG. Mr. Chairman, for the FDIC-supervised institutions, our examiners do review that as part of a compliance review for every institution. Based on the reports we have, it appears that most institutions are generally complying with the requirements.

Chairman SHELBY. What does generally complying mean?

Mr. GRUENBERG. It means in the exams they have programs for implementation and they are meeting the requirements of the programs, which is not to say that every loan they make is in compliance, and I think to the extent you want to know is every loan in compliance, that is something we would have to——

Chairman SHELBY. Can you get that information for the Committee?

Mr. GRUENBERG. We will try to do that.

Chairman SHELBY. Would that be hard to get?

Mr. GRUENBERG. It may be difficult, but we will make an effort because it is an——

Chairman SHELBY. Important for you to know too.

Mr. GRUENBERG. It is an important issue. I can tell you, Mr. Chairman, when we went down to Mississippi and New Orleans, one of the local bankers in Mississippi mentioned that 3 months before the hurricane he had a compliance exam, and the agency required him to comply with the flood insurance. And he was upset at the time, but he was less upset when we saw him down in Mississippi.

Chairman SHELBY. Mr. Powell, I think you—and I may have cut you off, I did not mean to. You were going to say something about the Mississippi plan. Is it different from the Louisiana plan? Are they progressing or what?

Mr. POWELL. Yes. I think the plans for rebuilding in Mississippi is somewhat further along. Again, the devastation was just as severe.

Chairman SHELBY. We have seen.

Mr. POWELL. But the complexity of Mississippi along the Gulf Coast, those plans are being developed and have been developed, and they are implementing those plans. I know that I am going to be in Gulfport next week, and Gulfport is an example where they are going to sit down with citizens in Gulfport and visit with architects about rebuilding. So their rebuilding is further along. They are down the road.

Chairman SHELBY. The Committee has seen a variety of statistics on insurance coverage in areas impacted by Hurricane Katrina. I understand that the majority of Louisiana homeowners that were impacted had some form of insurance, either flood or hazard insurance. Mr. Powell, do we have any sense of the extent of individual insurance coverage in Louisiana? Did most insured households simply insure up to their mortgage, or did most have coverage beyond their mortgage amount? Do you have that information?

Mr. POWELL. I can get you that information, Mr. Chairman. We will be happy to supply that information to you.

Chairman SHELBY. Mr. Mitchell, you are here on behalf of the Small Business Administration. The Committee has heard from several displaced families about their difficulty in qualifying for an

SBA Disaster Home Loan. Could you describe to the Committee the relevant underwriting standards for the Disaster Home Loan Program? What are the most frequent reasons for a loan being denied?

Mr. MITCHELL. Certainly, we can get you all of the denial reasons and those stats. But basically there are three components to the SBA Disaster Loan, Obviously, one is eligibility in terms of being in a declared area and having eligible damage that is uninsured or underinsured. The primary two areas that we look at in underwriting are whether or not you have the ability to repay the loan, and that there is sufficient cashflow to pay some amount. And unlike standard lending, we have a flexibility to go as high as 30 years regardless of what we are funding. We can do a $5,000 loan for personal property for up to 30 years if that is all you can afford to pay. So we have that flexibility.

The third aspect is satisfactory credit. The majority of the declines that we have seen so far has been almost 3-to-1 for unsatisfactory credit history. Generally, it is about half and half of lack of ability to repay and credit, but in this disaster it has been unsatisfactory credit history, at least of those that we have processed so far. It has been 3-to-1 unsatisfactory credit.

Chairman SHELBY. Do you bend over to try to make a disaster loan, assuming there is merit to the——

Mr. MITCHELL. Absolutely. What we try to do is to make sure we understand the reasons for the credit history. Obviously, if it is related to circumstances beyond their control, certainly we have the flexibility to move forward on that.

There are some things, obviously, in law that we cannot overcome unless it is worked out, for example, if you are delinquent on your taxes, Federal debt, or child support payment. Those things need to be worked out. You need to have a payment plan in place and bring that to a satisfactory point before we can move forward with a loan.

Chairman SHELBY. How many loans have you actually made, say, in Louisiana and Mississippi and even Alabama, which we were impacted some thus far?

Mr. MITCHELL. Louisiana, we have approved 35,000 applications——

Chairman SHELBY. So, 35,000 SBA applications; is that right?

Mr. MITCHELL. In Louisiana.

Chairman SHELBY. That is a lot.

Mr. MITCHELL. In Mississippi, the approvals are—and I am rounding off—20,000. And in Alabama, they are a little under 2,000.

Chairman SHELBY. The Flood Insurance Program presently requires that preflood insurance, you know, pre-FIRM houses that suffer 50 percent or more damage must be rebuilt to meet the current flood insurance mitigation requirements. There have been some anecdotal reports that people in New Orleans with severely damaged homes, some, have had the damage purposely assessed at less than 50 percent, in other words, to game the system, to avoid meeting the mitigation requirements as part of their rebuilding efforts.

Are any of you panelists—and we will start with Mr. Powell—aware of such efforts, and if so, what are you doing about it?

Mr. POWELL. I have heard the same thing you have heard, Mr. Chairman, and I visited with the parish presidents about that issue, and the mayor, and made them aware of our concerns about that.

Chairman SHELBY. So you believe it is happening, do you not?

Mr. POWELL. I do.

Chairman SHELBY. Mr. Gruenberg, what about you? You have any information?

Mr. GRUENBERG. Mr. Chairman, I do not believe we do have any information on that issue.

Chairman SHELBY. Mr. Garratt, do you know?

Mr. GARRATT. Just anecdotal reports, sir, but I do know that our Mitigation Director, Mr. David Marstad, is taking them seriously, and he has been working with the Joint Field Offices to make sure——

Chairman SHELBY. But that would undermine our whole plan, would it not, if we let that go on?

Mr. GARRATT. Yes, sir.

Chairman SHELBY. Because that goes to the integrity of the whole plan.

Monday's *Times-Picayune,* the New Orleans paper, reported that the five most impacted parishes had reached an agreement, Mr. Powell, on a buyout plan similar to that proposed for Mississippi. Have you any details of this plan, and what is the Federal role in this plan?

Mr. POWELL. Yes, sir. I have visited with the Mayor of New Orleans, and received a report about that meeting. The plan, I have not read the plan in detail, but I know the general requirements of the plan, and believe it is a plan that they together will be working with the LRA, the State essential planning system, and hopefully, in very short order will come with a consensus of that plan with the LRA.

Chairman SHELBY. Senator Sarbanes.

Senator SARBANES. Thank you very much, Mr. Chairman.

First of all, I want to say that we are pleased to have Don Powell back before the Committee.

I thought the testimony of the two Louisiana Senators, Senator Landrieu and Senator Vitter, and of Congressman Baker, was very powerful testimony at the outset of this hearing. It is not quite clear to me why the Administration is so resistant to the concept of the bill they have put in in order to address this problem. I am prompted to focus on this because of this letter that was sent to President Bush, which I assume you have seen, by the three former Republican Governors of Louisiana, Mike Foster, Buddy Roemer, and David Treen on February 1.

In that letter they say, "The bottom line is this: It is difficult to understand how Louisiana rebuilds if its landscape is littered with the remains of over 200,000 unusable homes and business properties. Something eventually has to be done about them, or else the alternative is that they lie like ruins, tied up in a legal mess, impenetrable to the private market for years to come." And the Vice President of the Mortgage Bankers Association has echoed this concern, citing fears of widespread foreclosures and abandoned properties.

I thought our three colleagues this morning focused on that very well. You have an incredibly complex problem in New Orleans and its environs. You have a serious problem elsewhere, but the complexity of it, I do not think is at the same level. How do you get this going if you cannot move in with a framework and a plan that gives everyone confidence in terms of what is going to happen, and enables people to make calculations about their individual investment decisions or business investment in the context of a framework that is responsive to the problem? I do not see how we get there otherwise. The situation will just continue to fester, will it not?

Mr. POWELL. Senator, it is complex. It is very complex. As I said in my testimony, the most important thing after going, especially in Louisiana, to the people of Louisiana was safety, and that is the reason we addressed the levee situation first. And there is something like $3 billion that the President requested of the Congress to speak to the levee situation. So safety was the most important thing.

And also, as I said in my testimony, housing then becomes I think the second most important thing. Jobs are important. Health care is important. Education is important, as is the housing issue. I have had a lot of meetings about housing, and I have had constant dialogue with leaders in the area, in the State, city, the parishes, former elected officials, elected officials, business people, community leaders, about all of the housing issues. We have data about the housing situation.

I think the first thing we attempted to do was agree upon the data, how many homes were destroyed. In working with the State officials, the LRA, we have consensus about data, about how many homes where they were located were destroyed. Then I too have worked and have the utmost respect with Congressman Baker. I worked with him when I was at the FDIC, and we have had lots of discussions about how best to address this whole housing issue.

I have been encouraged with the recent dialogue with the people on the ground and the LRA specifically about what plans they would have to meet the needs of these homeowners whose homes were devastated, together with also the needs of renters, people that did not own their homes but were housed in some of these areas. So, I have had lots of dialogues. In fact, we are in the process of briefing Congress on some details of recommendation in this supplemental that hopefully will be released very shortly.

As you know there has been, to Louisiana specifically, $6.2 billion in CDBG money, and hopefully in the supplement there will be some additional funds coming to meet some of those needs.

So it is a complex issue, and it is an important issue that they begin to rebuild. But I believe that the vehicle of the CDBG monies will meet those needs.

Senator SARBANES. It is not just the money, it is the framework within which all of this is done.

Mr. POWELL. Yes.

Senator SARBANES. Which provides the necessary assurances to the private sector for them to start putting in their money. It seems to me that is the missing linchpin at the moment, and it would seem to me the Administration should be working more

closely with our colleagues that we heard from at the opening of this hearing, to see if they cannot develop a common approach in that regard?

Mr. POWELL. I am in constant dialogue, and our staff is in constant dialogue with the three Members of Congress, and for that matter, the entire Louisiana, Mississippi, Alabama, all the delegation of the affected area. We talk to them a lot.

Business has the same interest that individual citizens do. They want to make sure their people are safe, the levees. They want to make sure there is housing for those people. They want to make sure that the infrastructure is up and going, city government, fire protection, police protection, criminal justice system, education system, health system. So we are working on all of those fronts and coordinating that.

We also are reaching out to business. As I mentioned in my testimony, we are talking about a job training program, where the local people will be properly trained to meet the job requirements of that area. The Secretary of Commerce and I will be hosting a forum in about 30 days, where we are going to invited *Fortune* 500 companies to come to New Orleans to look for themselves about the unique opportunities that they will have to expand their business. So there is lots of fronts, but this housing issue, as I mentioned, is a very important component of that.

Senator SARBANES. Mr. Garratt, *The New York Times* had a story a couple of days ago. Mobile homes worth hundreds of millions of dollars are deteriorating in a muddy field in Arkansas, may never be used to house victims of Hurricane Katrina. And the Inspector General of the Department of Homeland Security, in his testimony earlier this week before the Senate Homeland Security and Governmental Affairs Committee said, "At one emergency housing site in Arkansas, there are 10,777 manufactured homes, costing approximately $301.7 million, sitting on runways and open fields. Since they are not properly stored, the homes are sinking in the mud, and their frames are bending from sitting on trailers with no support. FEMA is now in the process of installing jacks under the manufactured homes to help steady the frames. As of January 2006, none of the manufactured homes stored at Hope, Arkansas, have been moved out of house evacuees."

What is going on? This is a pitiful account. Is it factually correct?

Mr. GARRATT. No, sir, it is not.

Senator SARBANES. In what way is it not factually correct?

Mr. GARRATT. FEMA was as surprised by that *New York Times* article as we were by the IG report, and we immediately asked our logistics staff to either validate or invalidate both reports. We have asked them to do that twice in the last 2 days. We have 10 full-time staff at that Hope, Arkansas site to provide maintenance and to provide caretaking for those mobile homes. And their report back is that none of the mobile homes are unusable. None of the mobile homes are sinking in mud. There have been instances, for example, of flat tires, but all of the mobile homes are fully usable.

We do recognize that there is a potential over time, because those mobile homes are on a surface that could be susceptible to the weather, that we are going to, and have obligated funding to provide a crushed gravel surface over that entire area to remedy

that potential problem, but at this time we cannot and do not validate those stories, with one exception. And that would be the observation that these mobile homes may not ever be used to support Hurricane Katrina victims. It is possible that many of these mobile homes will never be used to support Katrina victims.

Senator SARBANES. Are there almost 11,000 mobile homes there on that site?

Mr. GARRATT. Yes, sir, those figures were correct. I think it is 10,700 plus.

Senator SARBANES. Did they cost over $300 million?

Mr. GARRATT. Let me check that figure sir, and if I cannot——

Senator SARBANES. And you say the Inspector General, when he says they are not properly stored and some are sinking in the mud and their frames are bending?

Mr. GARRATT. Not validated by our logistics staff, sir.

Senator SARBANES. Is FEMA in the process of installing jacks under the manufactured homes to help steady the frames?

Mr. GARRATT. We are installing jacks in some instances, yes, sir.

Senator SARBANES. Why are you doing that if the frames are not bending from sitting on trailers?

Mr. GARRATT. That is a good question. I would say that it is probably preventive in most cases or it is recognition that there is a potential, because of how the individual mobile homes are situated on the terrain, but in terms of actual damage that has rendered any of those mobile homes unusable, that has not occurred. All of the mobile homes at that site are fully usable, and we expect this 10-percent maintenance crew that is there to do exactly that preventive maintenance.

Senator SARBANES. What is going to happen to these homes?

Mr. GARRATT. Those 10,700 mobile homes, plus the additional mobile homes which will be arriving at that site, if we do not use those in response to the impacted areas in Louisiana and Mississippi and Alabama and Texas, we will have those mobile homes ready for the 2006 hurricane season.

The reason that those mobile homes have not been used to the extent that we had initially hoped is that the front end of the disaster, back in very late August as Hurricane Katrina was approaching, we established a housing area command in the AOR, in the area of responsibility. The purpose of that housing area command was to begin identifying the potential housing needs that were going to result from Hurricane Katrina, in what we expected to be, and what ended up being an unprecedented amount of devastation. They went out and began identifying prospective candidate group sites, as well as individual sites throughout the area, and immediately began ordering both travel trailers and mobile homes based on the anticipated need for those mobile homes. And we wanted those manufactured housing units rolling in even as we were engaged in the response side of this, because we wanted to be able to begin providing those as soon as possible.

As it turns out, the vast majority of the devastation took place in floodplain areas, and the need for mobile homes, which we cannot place in a floodplain, was far less than the need or the desire for travel trailers.

Nevertheless, we have in place a policy that says if someone desires manufactured housing in the area, if they are eligible for that, and if that site will support a mobile home, then that is what we will provide them, a mobile home. In those instances—and these are the majority—where a mobile home is not authorized because of floodplain restrictions, then we will provide a travel trailer.

As a result of all of this, we have an excess of mobile homes, but that excess—we hope that excess is never used, but if in fact that excess is needed in 2006, again, the excess which we cannot use in support of Hurricane Katrina and other disasters, that will be available.

Senator SARBANES. It is enough to make you weep, just listening, I have to tell you. I mean it is really very depressing.

Chairman SHELBY. Waste.

Senator SARBANES. They had the Inspector General in front of the other committee, and they asked him about these things, and he went on and he said this about selling some of them as surplus property. "What kind of return can you expect on that?" "It is certainly not going to be very high," he responded, "given the way they were being stored at a spot where some were sinking into the mud. Some of the trailers that we inspected are actually warping, have lost wheels, and some have been cannibalized, parts taken out, and we do not even know where the parts are right now, so their value is going to decrease tremendously."

Now you are saying that is all make believe; is that right?

Mr. GARRATT. No, sir. I am saying that parts may have been cannibalized from one mobile home to be used on another one, that is entirely possible. It is entirely possible that mobile homes have been delivered that sustained some damage during the delivery process. What we are saying to that is, as a result of the storage at the Hope, Arkansas site, that none of the mobile homes have sustained damage as a result of that storage.

Senator SARBANES. Let me ask you this question. I have been concerned by FEMA's insistence on making decisions about eligibility for housing assistance on a case-by-case basis instead of putting out clear and transparent guidance. Congress included in the appropriations bill, the conference report, the following directive, "The Conferees are concerned with the lack of guidance on housing assistance. Within 2 weeks from the date of enactment of this Act, the Director of FEMA shall issue guidance used to determine continued eligibility for housing assistance under the Section 408 Program. Consistent with current FEMA regulations, such guidance shall include the extension of assistance if the recipient is unable to afford local housing at the fair market rent level."

The two-week deadline painted in that legislation, passed on January 13, and no guidance has been issued yet. When will FEMA issue the guidance?

Mr. GARRATT. We did respond to that report, sir, and we did provide a response back to the Senate to that request.

In terms of the guidance that we are operating under for making eligibility determinations, that is the guidance—we operate under the——

Senator SARBANES. The lights seem to go out when FEMA testifies. That is pretty symbolic, I guess.

[Laughter.]

Mr. GARRATT. We made an initial response to the Senate.

Senator SARBANES. I am sure it was by accident.

[Laughter.]

Mr. GARRATT. We subsequently had discussions with members of the Senate staff. They asked us to revisit that and come back with another response, which we have virtually completed. It is far more detailed, and it will be answering a number of the questions that they had questions about regarding our initial submission.

Senator SARBANES. What is going to happen to the people in New Orleans now who have been moved out of the hotels and the boats, the ships, in terms of where are they going for housing now?

Mr. GARRATT. A number of different options exist for those individuals. For individuals who have received or will be receiving a travel trailer, mobile home, they will be moving from hotels and motels into those travel trailers and mobile homes, and our Joint Field Office staff is working to match individuals up from hotels and motels as well as cruise ships into alternative temporary housing solutions.

Senator SARBANES. For what period of time do you provide some assurance on the housing? Three months; is that right?

Mr. GARRATT. What we provide is, when we provide rental assistance, rental assistance in 3-month increments. We can provide assistance for up to 18 months.

Senator SARBANES. Well, now, that is one of the problems. How is a landlord going to deal with these 3-month increments? Some have suggested that you should be providing at least a year so there is some stability in the leases, and also people can plan their lives and the lives of their children and their families in a more rational way. How do you do it on this 3-month basis?

Mr. GARRATT. How does an individual obtain a lease when they are only receiving rental assistance in 3-months increments?

Senator SARBANES. Yes.

Mr. GARRATT. What we have found is that an awful lot of individuals are able to obtain leases based on the rental assistance, based on income that they are getting from jobs, supplementing their rental assistance. We have found that this is an anecdotal—the majority of individuals who we provide rental assistance to are, in fact, able to find temporary housing, in apartments or in other types of temporary housing, including travel trailers, mobile homes. And we are also taking some initiatives in New Orleans to address that issue from a rehabbable apartment standpoint. For example, we are encouraging apartment owners who have apartments that are not suitable for habitation now but with some minimum modest amount of rehabbing, they can make those apartments available. And we are guaranteeing those apartment owners that if they will invest their money and rehab those apartments, we will guarantee them that someone will lease those apartments from them for up to a year to encourage them to bring those units in New Orleans online and make additional housing available for evacuees.

Senator SARBANES. Now, do you do that on a case-by-case basis? Or have you issued guidance to that effect? If I am a landlord in that situation, do I have to come in and get my specific proposal approved by FEMA? Or is there a standard policy that tells me and

all other landlords roughly similarly situated that we can move ahead?

Mr. GARRATT. Yes, sir, there is. We have worked out a contract arrangement with Corporate Lodging Consultants. Corporate Lodging Consultants will visit the apartment owner, explain the terms of the program, the fact that they are going to have to bring this up to a level of habitability that is certified by FEMA, that it meets certain standards. And once they do that, and if they do that within the time that they agree to do that, we will guarantee that we will be putting an individual who is eligible for financial assistance from FEMA into that apartment for 12 months.

Senator SARBANES. All right. Thank you, Mr. Chairman.

Chairman SHELBY. I want to thank the panel, but I have an observation. I do not know if you would share this. But before we spend a lot of money in New Orleans, it seems to me we have to strengthen the levees. We have to protect what we can protect there in a meaningful way. Do you agree with that, Mr. Powell?

Mr. POWELL. Yes, sir.

Chairman SHELBY. Mr. Garratt, what about you?

Mr. GARRATT. Yes, sir.

Chairman SHELBY. Mr. Gruenberg? All of you.

We know you are not the Corps of Engineers, but we would be interested in probably hearing from them as to the status of their strengthening of the levees, because there are all kinds of stories. I know Senator Vitter was quite clear here today—and some of you heard it—that the Corps was not up to their job, and perhaps some local people were not up to their job.

Thank you very much for appearing here today.

[Whereupon, at 1:08 p.m., the hearing was adjourned.]

[Prepared statements and response to written questions supplied for the record follow:]

PREPARED STATEMENT OF ALPHONSO R. JACKSON

SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEBRUARY 15, 2006

Introduction

Mr. Chairman, Ranking Member Sarbanes, and distinguished Members of the Committee, it is a privilege to appear before you today.

The purpose of my testimony this morning is to share with you the Department of Housing and Urban Development's immediate response to the hurricanes in the Gulf of Mexico, our ongoing efforts to assist affected families and individuals—people who have lost so much, too often everything—in finding both short-term and permanent housing, and the overall progress of the recovery efforts in the five affected States.

HUD has worked closely with FEMA, the Department of Agriculture, the Department of Veterans Affairs, the Department of Health and Human Services, and others to get immediate housing assistance to those who have been displaced and uprooted by the recent hurricanes. As I am sure you can fully appreciate, the challenges HUD has faced are truly unprecedented, but we have worked as we have never worked before and as you will soon see our response has been equal to the difficult task at hand. Furthermore, we continue to satisfy the different housing missions assigned to us.

In my presentation to the Committee, I intend to summarize the immediate steps taken by the Department in the days and weeks following Hurricane Katrina, as well as to provide a detailed summary of the actions taken by individual HUD program offices to assist in the recovery efforts. I also intend to discuss how our Department is assisting those HUD-assisted families who were impacted by Hurricanes Katrina, Rita, and Wilma. And I will update the Committee on HUD's execution of the recently enacted supplemental Community Development Block Grant (CDBG) funds.

Hurricanes Katrina, Rita, and Wilma are thoroughly testing all of us and the President has directed Federal agencies to adapt to the extraordinary challenges presented by one of the most extensive series of disasters in our nation's history.

Immediate Actions Taken by HUD

Prior to Hurricane Katrina's landfall on August 29, 2005, I established a working group to prepare for the possible problems that could arise from this powerful hurricane.

As soon as the level of Katrina's destruction was understood, I established 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 and community development professionals from every program office within the Department. This Center reported directly to me and operated out of HUD Headquarters. Shortly after its inception, the HRRC directed HUD's field offices to conduct a nationwide survey of vacant rental housing units in HUD's portfolio.

The HRRC proved to be an effective communications tool during the *emergency phase* of the disaster, allowing every HUD program to coordinate from one central location. Once we moved into the *recovery and rebuilding phase,* however, Deputy Secretary Roy Bernardi and I replaced the HRRC with the HUD Assistance and Recovery Team (HART). This team of senior department officials continues to be responsible for coordinating all HUD deployment with FEMA and ensuring that program offices are fulfilling their mission as well as coordinating policy decisions.

In addition, through our FEMA mission assignment, nearly 100 HUD employees were deployed to disaster recovery work in the Gulf Coast region within 2 weeks of Katrina's landfall. Some worked closely with FEMA and supported their response efforts, while others worked to address the region's exponentially growing housing needs. These HUD specialists brought years of experience in reconstruction and community planning to the region.

Within this mission assignment, in conjunction with FEMA, we established the Joint Housing Solutions Center (JHSC), located in Baton Rouge, Louisiana. The Joint Housing Solutions Center focused on combining Federal resources with private sector, nonprofit, and faith-based efforts. These pooled resources were then offered to local and State governments, as well as community stakeholders, to assist them in their efforts to place evacuees in temporary housing.

Recently, in response to concerns about the living conditions in temporary travel trailer communities, the JHSC developed plans for Transitional Communities where travel trailers would be incorporated with a supportive neighborhood structure. The footprint of these communities and the utilities and streets developed to support

them will subsequently support the development of permanent affordable housing when the temporary trailers are removed.

Governor Barbour of Mississippi has endorsed the Transitional Community design, and all temporary trailer facilities in that State will now utilize the Transitional Community concept. This is just one example of the way in which the JHSC continues to be a vehicle for bringing together a broad array of resources and focusing them on the long-term recovery of housing in the region.

In September, HUD worked with other organizations to set up "one-stop" centers in major shelters across the Nation—from the Reunion Arena in Dallas to the DC Armory here in Washington. These centers allowed HUD officials to meet one-on-one with evacuees and determine how the Department could assist them in finding housing in their host city. In the first few weeks after Katrina hit, we placed nearly 10,000 families in subsidized units. To date, HUD employees in 20 cities across the country continue to serve evacuees.

On September 12, 2005, HUD and FEMA signed an Interagency Agreement that set forth the conditions for the transfer of HUD-owned properties held off the market and made available for lease to displaced families. This agreement identified more than 6,000 single-family homes within a 500-mile radius of declared disaster areas. Despite the fact nearly every one of these homes required significant repairs and were spread across an 11 State area, more than 1,000 families have moved in and another 800 are in process. The remainder of the homes will be offered to evacuees either as temporary housing or through a discounted sale program.

Shortly after Hurricane Katrina hit the Gulf Coast, I reached out to the United States Conference of Mayors and the National Association of Counties to seek their support in finding more housing opportunities for hurricane victims. The response to this call to action has been tremendous from across the country—including Detroit, Philadelphia, Allegheny County (PA), and Miami-Dade County. Each of these communities opened its doors to more than 1,000 displaced individuals.

Our efforts to respond to the immediate aftermath of Hurricane Katrina were extensive, and I will now turn to specific actions taken by HUD's program offices.

Actions by Program Offices

Office of Community Planning and Development

Senior officials in HUD's Office of Community Planning and Development (CPD) gathered to explore ways to help the affected communities. Based on past experience, we knew CPD programs—especially CDBG and HOME—have been especially effective in addressing both the immediate and long-term recovery needs that arise from natural disasters. On September 5, 2005, Assistant Secretary Pamela Patenaude began issuing a series of waivers to streamline our existing grant programs so grantees could reprogram their existing HUD funds for disaster relief. To date, CPD has issued more than 40 waivers affecting existing normal program requirements to its normal program requirements. CPD has also given special attention to the opportunity to meet the needs of persons who were homeless before the hurricanes, and to homeless programs funded by the Department whose operations were affected.

CPD also reached out to Governors Blanco, Barbour, and Riley to offer them the support and flexibility they needed to retarget their resources to better assist their communities. In response to a request from Governor Blanco, we issued a series of waivers in the CDBG and HOME programs. The HOME program waived requirements to allow for source-certification of income and elimination of the match requirement. These waivers provided 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. They also offer the same flexibility to Governors Barbour and Riley.

CPD also issued a series of waivers for the CDBG program, the Emergency Shelter Grants program, and the Housing Opportunities for Persons with AIDS program to make them more responsive to the immediate needs of the affected communities. The City of Houston, which received thousands of evacuees from New Orleans, was the first to ask for a waiver of CDBG's 15 percent cap on public services. This request was granted for Texas and the 4 other affected States, providing communities more flexibility to help their citizens. We also simplified the citizen participation requirements to give communities more options on how to refocus their programs to meet their changed environment and needs. At the request of specific communities, we also waived a number of other requirements including: Allowing presumption of low- and moderate-income benefit in certain circumstances in CDBG; extending deadlines for reporting submissions; and extending the deadline for spending funds in order to give affected communities time to consider their needs and options after the disaster. To help Gulf Coast communities develop long-term affordable housing

plans and respond to the needs of local community housing development organizations and homeless providers, we are providing technical assistance through HUD field offices and HUD-contracted technical assistance providers such as the College of Experts.

Most recently, CPD has been at the forefront of the Department's efforts to administer the $11.5 billion in CDBG disaster funding approved by Congress and signed into law by the President on December 30, 2005. On January 25, 2006, HUD announced the allocations for the five affected Gulf States, and on February 13, 2006, HUD published in the *Federal Register* guidance on how each of the States is to submit an Action Plan for disaster recovery on the uses of the grant funds to assist with long-term recovery and infrastructure restoration.

Our overriding goal is to make sure the funding provided by Congress is swiftly made available to the States for their recovery efforts, and that the funding is used in a manner consistent with the intent of Congress and in the context of the comprehensive reconstruction plans being developed by each of the five States.

Office of Housing

In the Office of Housing, FHA immediately 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 affected by Hurricanes Katrina, Rita and Wilma. On November 22, 2005, Housing Commissioner Brian Montgomery and I extended foreclosure moratoriums in those counties declared eligible for individual assistance as a result of Hurricanes Katrina and Rita for 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.

On December 1, 2005, the Department announced an additional homeownership retention initiative to help homeowners with FHA-insured mortgages who are unable to maintain their 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 12 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 12-month period. This unprecedented mortgage relief is expected to help several thousand families to remain homeowners while they concentrate on repairing their homes, finding jobs, and putting the pieces of their lives back together.

In addition, I have personally encouraged lenders to undertake actions such as mortgage modification, refinancing, and waiver of late charges for those homeowners 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 (PIH) has issued guidance to the Nation's more than 3,000 Public Housing Authorities (PHA's) on how to assist public housing residents displaced by Hurricane Katrina. Titled "Guidance for Public Housing Agencies in Assisting Families Displaced by Hurricane Katrina," this document has been posted on HUD's website and distributed to every PHA and HUD field office.

HUD's KDHAP is providing housing vouchers for evacuee households that were previously receiving public housing and other HUD housing assistance, including persons experiencing homelessness. Under KDHAP, participating individuals and households are eligible to receive rental assistance payments for up to 18 months. These payments are calculated at 100 percent of the fair market rent in any community in the country the evacuee selects, from Portland, Maine to Portland, Oregon. I am pleased to say that nearly 15,000 families have received KDHAP vouchers. With the additional $390 million in funds awarded by Congress in 2005, thousands more HUD-assisted families and individuals who were homeless in the affected areas prior to Katrina will be eligible for assistance.

HUD has now verified which vacant public housing units are in livable condition and available to house evacuees. To accomplish this, our field office staff contacted every PHA in the Nation to identify the number of public housing units currently available, those that could be made ready for occupancy in 5 to 7 days, and the number of available vouchers. As a result, HUD has identified more than 39,000 vacant public housing units and available vouchers nationwide.

HUD's Office of Native American Programs (ONAP) has consulted with every tribe affected by Hurricane Katrina. The Chitimacha Tribe of Chareton, Louisiana

and the Tunica-Biloxi Tribe of Marksville, Louisiana are now housing displaced tribal families evacuated from New Orleans and coastal Mississippi. The Chickasaw Nation Housing Division, located in Ada, Oklahoma, is housing displaced families in various sections of their service area, most of whom are not tribal members.

Indian Community Development Block Grant (ICDBG) Imminent Threat funds in the amount of $2.4 million are currently available for distribution to tribes affected by Hurricane Katrina. Requests are 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.

The Public Housing Capital Fund has a Reserve for Emergencies and Natural Disasters in the amount of $29.7 million for fiscal year 2005. These funds can only be used to repair and replace existing public housing that was directly affected by Hurricane Katrina. PHA's must submit applications to HUD for these funds. The Housing Authority of New Orleans (HANO) received a $21.8 million grant from the Capital Fund Reserve for Emergencies and Natural Disasters, which was approved on September 28, 2005. This request was for a preliminary grant until a full assessment of the damage and the cost to repair and/or replace its public housing inventory is completed. These funds will be primarily used to: Make minimal repairs to four properties to make them habitable; secure uninhabitable properties; and pay relocation costs for displaced families.

PIH awarded a contract for general disaster assistance within 3 days of Hurricane Katrina. The contract covers: Assessment of damage; general assistance to HUD staff, PHA's, 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; and other emergency activities as identified by site visits.

PIH set up two hotlines within days of Hurricane Katrina. The first hotline is for PHA's 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, which has been under HUD receivership since February 2002, in quickly setting up headquarters operations in Houston, and a satellite office in Dallas. We worked closely with the Houston Housing Authority, which provided extensive facilities and assistance to HANO. As a direct result, HANO was able to set up a booth in the Houston Astrodome to process residents and voucher holders within the first week.

Notice of a broad regulatory waiver process was published in the *Federal Register* on October 3, 2005. The PIH waivers facilitate the administration of properties in the Hurricane Katrina declared disaster areas and relieve PHA's 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 PHA's; the deferral of Section Eight Management Assessment Program requirements for 1 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.

Fair Housing and Equal Opportunity

One of our Department's top goals is to ensure people have access to affordable housing free from discrimination. Immediately following Hurricane Katrina, our FHEO office deployed staff to Baton Rouge, and later to Mississippi, to assist Gulf Coast evacuees who had reported housing discrimination. Our staff obtained immediate relief for people facing discrimination before there was a need to file formal complaints. For example, staff helped open a mobile home community to families with children after receiving a complaint that the park was unlawfully excluding them. As of February 1, 2006, HUD has received 94 formal complaints of post-hurricane discrimination.

To help raise awareness of housing discrimination—especially discrimination experienced by victims of recent hurricanes—HUD launched a series of print and broadcast public service announcements that make this case in a very compelling way.

In addition, HUD worked with FEMA to create new design specifications for fully accessible manufactured housing to ensure that temporary housing is available for people with disabilities, we held seminars in Louisiana and Mississippi to make certain that all new multifamily housing complies with Federal requirements for dis-

ability accessibility, and we also provided additional funding to private fair housing groups and State fair housing agencies in the affected region to assist them in responding to the fair housing needs of evacuees.

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 published on the web and in hardcopy the Disaster Recovery Toolkit. It has expanded its affordable housing pilot project to include Houston and Tampa. The Center holds weekly teleconference calls with HUD's 10 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, as well as furnishing, employment, and transportation for evacuees establishing new domiciles, all 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

I want to conclude by saying 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 5½ months. I am proud to report that as of February 6, 2006, 56 members of our New Orleans field office staff have returned to work in that office. Their courage and tenacity are truly 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.

Thank you.

PREPARED STATEMENT OF DONALD E. POWELL

FEDERAL COORDINATOR, OFFICE FOR GULF COAST REBUILDING

FEBRUARY 15, 2006

Chairman Shelby, Ranking Member Sarbanes, and Members of the Committee, I am pleased to appear before you today as the Federal Coordinator for Gulf Coast Rebuilding to discuss the progress we have made in the Gulf Coast region and the challenges and opportunities we face in the intermediate recovery and long-term rebuilding effort.

In the aftermath of one of the most powerful and destructive natural disasters in our Nation's history, President George W. Bush created the Office of the Federal Coordinator for Gulf Coast Rebuilding by Executive Order 13390 to be housed under DHS and Secretary Chertoff. I was charged by the President to coordinate the long-term Federal rebuilding efforts by working with State and local officials to reach consensus on their vision for the region.

Let me begin by telling you it is a great honor to have been appointed by the President to this very important post. He is committed to doing whatever it takes to support the recovery and rebuilding efforts of Alabama, Florida, Louisiana, Mississippi, and Texas along the Gulf Coast. The entire Gulf Coast region is of great historical, cultural, and economic importance to this country, and we will make sure that these Americans get back on their feet and rebuild their lives. Whole communities have been ravaged by Katrina and Rita, but I am confident that together we will see a better tomorrow for our fellow Americans in these affected areas.

Our job is to work closely with people on the ground to identify and prioritize the needs for long-term rebuilding. We then communicate those realities to the decision makers in Washington, and advise the President and his leadership team, including

Secretary Chertoff, on the most effective, integrated, and fiscally responsible strategies for a full and vibrant recovery.

The President has made it abundantly clear that the vision and plans for rebuilding the Gulf Coast should come from the local and State leadership, not from Washington, DC. Rebuilding should not become an exercise in centralized planning. If Federal bureaucrats determine the path of rebuilding, local insight and initiative will be overrun and local needs overlooked. In addition, if the heavy hand of Federal Government impedes the private sector's proven ability to speed the recovery, it will take longer and be more expensive to rebuild.

President Bush made a commitment that the Federal Government would be a full partner in the recovery and rebuilding of the areas devastated by Hurricanes Katrina and Rita, and he is keeping that promise. The Federal Government has already committed more than $87 billion for the recovery effort, and the President's 2007 budget estimates that an additional $18 billion will be included in an upcoming 2006 supplemental package, which would bring the total to well over $100 billion. That figure does not include the tax relief of the GO Zone legislation, which will be approximately $8 billion. Markets must be encouraged and allowed to work properly without interference from government. Money spent should not compete with or hinder private sector involvement but, rather, serve as a catalyst to encourage growth. We also understand the importance of being good stewards of the substantial amounts of money that have been, and will continue to be, spent on this effort. The Administration has put into place financial management practices and has enhanced audit and investigative resources for the Inspectors General to safeguard Federal spending. We also call on the Congressional oversight and accountability mechanisms in place to assist in the fiduciary protection of the American taxpayer. If Americans see their tax dollars being ill-spent, their support—which is critical—will wane. It is my duty to ensure that any plans or strategies are conducive to the prudent, effective, and appropriate investment of taxpayer dollars.

Recovery Assistance

Hurricanes Katrina and Rita left many of our fellow citizens stunned and uprooted The Federal Government has and will continue to support evacuees through direct financial assistance and temporary housing. This Administration believes in the government's duty to provide resources and support on behalf of the American people, and to rally this Nation's armies of compassion

As of February 2, 2006, FEMA had provided the following direct financial and housing assistance:

- 136,502 mobile homes and travel trailers have been purchased for a total cost of $2.5 billion (as of February 2).
- 74,189 mobile homes and travel trailers are occupied (as of February 2).
- 6,292 mobile homes and travel trailers are ready for occupancy but are vacant (as of February 2).
- $5.1 billion in assistance to 1,044,916 applicants under the Individual Housing Program (IHP) for Katrina in all states (as of February 7).
- 1,704,006 FEMA registrations from Hurricane Katrina declared disasters—LA, MS, AL (as of February 7).

In addition to housing assistance, FEMA has also assisted in the disposal of over 62 million yards of debris, or over 60 percent of the total amount to be removed from the affected area.

Levees

When I made my first trip to the Southeast Louisiana region I asked everyone I visited with, "what are the three most important issues?" The answer, time and again, was "Levees, levees, levees." The President agrees that public safety is the most critical part of long-term rebuilding in that area. People must feel safe and secure in their decision to come back—whether as a resident or a business owner.

The President responded quickly by asking Congress to authorize his $3.1 billion commitment to make the levees that surround the New Orleans area stronger and better than they had ever been before. In addition to returning the levee system to pre-Katrina levels before next hurricane season, the President's request to Congress also included the addition of flood gates and pumping stations to interior canals, selective armoring of levees, the initiation of wetlands restoration projects, and additional storm-proof pumping stations. I receive routine briefings from the Army Corps of Engineers and they are on track to meet their deadline for pre-Katrina strength before the beginning of the next hurricane season.

Housing

After the Administration made its commitment to rebuild the levees stronger and better, the next issue on the minds of the people of the Gulf Coast was housing. As a part of the DOD reallocation, Congress set aside $11.5 billion in Community Development Block Grant (CDBG) funds for the Gulf Coast. The CDBG program is a well-tested mechanism that provides States with great flexibility in how funds may be spent. The $11.5 billion given by the Department of Housing and Urban Development (HUD) is the full amount appropriated by Congress for CDBG in the disaster supplemental, enacted December 30, 2005. These funds will be available once each State submits a detailed plan to the Federal Government outlining its use of the funds. The greatest attribute of the CDBG funds is that they are flexible and allow the State leaders—those closest to the local issues—to make the decisions on where best to use the money.

The housing issue is of paramount importance. Many have spoken about H.R. 4100, the Louisiana Recovery Commission (LRC). The Administration shares the goal of rebuilding Louisiana and the Gulf Region and we are grateful to Congressman Baker's leadership on this important issue; however, we support CDBG monies as the most efficient funding instrument in recovery funding. In fact, the Louisiana legislature is currently reviewing a proposal that would use CDBG monies and other Federal assistance to create a similar housing corporation on the State level. I look forward to working with the State on that plan. However, if after spending all the allocated Federal funds there are remaining unmet needs, we will continue to work with Congress to help ensure that additional resources are available and needs are met.

Economy

The President, along with Congress, has also been mindful about the renewal of the region's economy. At the end of 2005, the President signed into law the Gulf Opportunity Zones Act (or GO Zones). This legislation, providing approximately $8 billion in tax relief over 5 years, will help revitalize the region's economy by encouraging businesses to create new jobs and restore old ones. Some of the principal provisions within the Gulf Opportunity Zone Act of 2005 include tax-exempt bond financing for both residential and nonresidential property, changes to the low income housing credit, bonus depreciation, expensing for certain demolition and clean-up costs, just to name a few. Simply put, this law renews businesses, rebuilds homes, and restores hope.

In the affected area, the Small Business Administration (SBA) has adapted and ramped up its capacity in order to provide loans and working capital to small businesses and families. Small Business Administration disaster loans provide vital low-cost funds to homeowners, renters, and businesses to cover uninsured disaster recovery costs as well as loans for the working capital needs of businesses affected by disasters. Since last year's hurricanes, SBA's Disaster Loan Program has approved over $4.3 billion in disaster loans to over 60,000 homeowners, renters, and businesses along the Gulf Coast. Given SBA's ongoing commitment to small business owners in this region, it is imperative that Congress approve any monies to SBA in the upcoming 2006 supplemental package.

Workforce development will also be critical to long-term economic security. Secretary of Labor Elaine L. Chao and I attended a meeting in December 2005 with the President, labor leaders, civil rights groups, and business associations to discuss workforce initiatives and overall employment issues facing the region. We tasked those leaders with devising a plan to prepare the workers of the region for the future of the Gulf Coast economy. We recently completed that plan and look forward to implementing the program in May 1, 2006 in New Orleans. We want to help create as many jobs as possible in the Gulf Coast and prepare its residents to fill those jobs. To do this, we have set an ambitious goal that we are committed to achieving—this public/private initiative will train 20,000 new workers for careers in construction and skilled trades by the end of 2009. We will continue to work to help make the Gulf Coast a great place to invest, do business, and live.

Conclusion

President Bush is committed to rebuilding the Gulf Coast. The Federal Government will continue to facilitate and help strengthen, but not replace, State and local government or private initiatives and we will help our fellow citizens meet the challenges of reconstruction and rebuild their lives and communities for the years to come. The residents of this area and the President can agree on this: Failure is not an option.

There is no doubt that a tremendous amount of work is still ahead of us but we are heartened and encouraged by the progress made. We are proud of the work that

has been accomplished to date on both the State and Federal level. We look forward to working with leaders in Alabama, Florida, Louisiana, Mississippi, and Texas in the days, weeks and months ahead to assist in the implementation of their respective visions while also serving as a good steward of taxpayer dollars, which the distinguished members of this panel, along with your colleagues, have helped secure.

Mr. Chairman, this concludes my testimony. Again, I appreciate this opportunity to appear before you as the Federal Coordinator for the Gulf Coast Rebuilding. I am prepared to respond to any questions that you may have.

Thank you.

PREPARED STATEMENT OF DAVID GARRATT

ACTING DIRECTOR OF RECOVERY, FEDERAL EMERGENCY MANAGEMENT AGENCY
U.S. DEPARTMENT OF HOMELAND SECURITY

FEBRUARY 15, 2006

Good morning Chairman Shelby, Ranking Member Sarbanes, and Committee Members. I am David Garratt, the Acting Director of Recovery at FEMA, and am representing Secretary Chertoff and Acting FEMA Director Paulson. It is an honor to appear before this Committee to summarize and discuss our emergency sheltering and housing efforts in support of Hurricane Katrina and Rita victims, as well as our overall efforts to contribute to the rebuilding of the Gulf Coast.

We at the Department of Homeland Security and FEMA appreciate your interest in the housing challenges presented by the scope and scale of these unprecedented disasters. I think we all recognize that these hurricanes, and Katrina in particular, have thoroughly tested the capabilities of impacted State and local governments, FEMA, the Department, and the Nation, including the many States and communities nationwide who are hosting displaced evacuees from the affected Gulf Region. And yet, while these events have tested our plans and processes as never before, FEMA's sheltering and housing assistance programs have provided or facilitated the means for hundreds of thousands of evacuees to quickly secure interim accommodations, even as we continue to fund and facilitate an aggressive strategy to transition those individuals and families into longer-term, and more stable, housing solutions.

It has been a challenging time—nearly 6 months since Hurricane Katrina made landfall—for victims, communities, States, voluntary agencies, and the Federal Government alike. And, while we have made significant strides in addressing the pressing housing needs of victims across the country, many challenges and difficult decisions remain.

Nevertheless, we have been, and remain, committed to helping households recover and re-establish themselves. I would like to outline the assistance programs—under the Robert T. Stafford Disaster Relief and Emergency Assistance Act—that FEMA continues to provide in support of both sheltering and housing needs.

Under our public assistance program, authorized by Section 403 of the Stafford Act, FEMA is authorized to reimburse States for emergency protective measures, including emergency sheltering. Typically, these costs are reimbursed only for those States directly affected by the disaster. However, the scale of the evacuation prompted by Hurricane Katrina required a more expansive approach. To encourage States outside of the hurricane-affected area to accept and assist the hundreds of thousands of evacuees from the Gulf Region, the President responded to gubernatorial requests by declaring emergencies for 44 States and the District of Columbia. These emergency declarations had the effect of reassuring those States that their sheltering costs would be reimbursed, as well as provided the means for States to transition these evacuees out of shelters and into longer-term temporary housing. This latter capability has provided an invaluable bridge to our longer-term housing strategy, as it allows jurisdictions—on a reimbursable basis—to arrange short-term lease apartments for evacuees, allowing them to move out of transitional shelter environments, such as hotels, and into more stable temporary housing.

Another form of sheltering assistance that, traditionally, is rarely, and then only briefly implemented in disasters, is hotel/motel subsidies. However, in response to Hurricane's Katrina and Rita, this assistance mechanism has been center stage.

Recognizing that the road to recovery required that we remove families from congregate shelter environments as quickly as possible, FEMA authorized States, within days of Hurricane Katrina's landfall, to relocate families to hotel/motel rooms. At the same time, the American Red Cross initiated a similar hotel/motel subsidy program, as authorized by a statement of understanding with FEMA. Together, FEMA, the States, and the American Red Cross facilitated the relocation of thousands of

families to more private, and humane, living conditions. In late October 2005, FEMA agreed to assume responsibility for funding the hotel/motel subsidies of those households placed by the American Red Cross, which has been, and remains, a stalwart and dependable partner of FEMA and the Federal Government in disaster response and recovery operations.

Throughout the intervening months, we have worked with more than 7,500 hotels and funded over 3 million room nights. However, nearly 6 months removed from Katrina landfall, the time has come to end the sheltering phase of the recovery, and complete the transition of Katrina and Rita evacuees to more stable temporary housing, and where feasible, permanent housing. For many, this will be a difficult transition, as not every household will be eligible for Federal assistance, nor will every household be able to immediately return to their pre-disaster homes, or hometowns. Nevertheless, during this period, we have diligently and ceaselessly, using community relations and voluntary outreach teams, made repeated efforts to contact every victim registered and subsidized in every single hotel or motel room across the United States, to make sure every hotel and motel occupant household has every opportunity to avail themselves of all available transition assistance.

First, and most importantly, every household must register with FEMA to receive FEMA housing assistance. Registration can be accomplished either on-line, or through our 1–800 numbers. FEMA's ability to process registrations in a timely manner is second to none. Following Hurricane Katrina, FEMA processed over 100,000 registrations across a single 24-hour period, more than doubling any previous disaster single-day registration record. The Individuals and Households program (IHP) provides financial help or direct services to U.S. citizens, non-citizen national, or qualified aliens whose primary residence was damaged as a direct result of a presidentially declared disaster when they are unable to meet these needs through other means. Even if a registered individual or household is ultimately determined to be ineligible for FEMA assistance, we can refer them to other sources of potential assistance, such as voluntary agencies or the Department of Housing and Urban Development's Katrina Disaster Housing Assistance program, or KDHAP. Under the supplemental budget, KDHAP is succeeded by the Disaster Voucher program (DVP) under which public housing authorities will assist individuals or households who were displaced residents of a HUD program or homeless at the time of the disaster.

While Section 403 of the Stafford Act, as I have described, supports sheltering activities, FEMA's Housing Assistance Authorities are covered under Section 408 of the Stafford Act. I would like to briefly describe the components that make up our housing assistance programs.

Under Section 408 of the Stafford Act, FEMA is authorized to provide: Rental assistance; home repair assistance; home replacement assistance; direct housing; and other needs assistance, the latter is designed to assist with necessary expenses and serious needs, including personal property losses. I will discuss each briefly.

Under the Transitional Housing Assistance program, FEMA has provided, as of February 10, rental payments to more than 675,000 applicants, totaling more than $1.6 billion. In providing this rental assistance, we are aware that many displaced households received their checks, or deposits to their bank accounts, before receiving mailed guidance and instructions detailing the intended use of the funding, and procedures for receiving subsequent rental assistance. Accordingly, FEMA will recertify year and continue to provide rental assistance in 3-month increments—for as long as households qualify year for such assistance. This accommodation applies only to the initial recertification of rental assistance. Subsequent recertifications will require necessary rent receipt documentation. I think it is important to note that FEMA is prohibited by law from duplicating assistance. Therefore, if a disaster victim has an insurance policy that provides alternate living expenses, we will not duplicate that aid unless their settlement is delayed. In such cases, applicants are advised they will be required to return the duplicated assistance to FEMA following settlement. Similarly, if victims are receiving other forms of housing support that obviate the need for our assistance, we will not knowingly duplicate that aid. We will also, as a standard part of our recertification process, validate that the applicant is pursuing a permanent housing strategy, to include economic self-sufficiency.

FEMA is authorized to pay up to $5,200 in home repair assistance to eligible victims of Hurricanes Katrina and Rita. Repairing a home to make it livable, where that option exists, is a preferred remedy, as it keeps people in their homes, in their communities, and is cost-effective. To date, we have provided more than $335 million in home repair payments to victims of Hurricanes Katrina and Rita, helping make nearly 175,000 homes habitable across the Gulf Region. In addition, under the public assistance program, we have provided or installed plastic sheeting or tarps

on nearly 150,000 roofs in the Gulf Region, enabling those residents to continue living in their homes even as they pursue permanent repairs.

FEMA is also authorized to pay up to $10,500 in home replacement assistance to eligible applicants. Thus far, in Alabama, Louisiana, Mississippi, and Texas combined, we have provided more than $270 million to over 27,000 households to help them replace their destroyed housing. Note that neither of these forms of assistance is designed to take the place of, or substitute for insurance, nor are they designed to cover all disaster-related losses. Consequently, the assistance we provide is not as comprehensive as an insurance policy.

As I noted earlier, the scope and scale of devastation from these two hurricanes eliminated the home repair option for many households. In addition, home repair does not apply to renters, who nevertheless have the same need for temporary housing assistance. For both these types of households, FEMA offers two forms of interim housing assistance: Rental assistance—in the form of financial assistance paid directly to an eligible applicant, and direct housing assistance—in the form of a dwelling provided by FEMA to an eligible applicant.

Direct housing assistance can be provided—for up to 18 months from the date of the declaration—either in the form of direct leases (such as apartments), or through the provision of manufactured housing. The latter option is available only in the impacted States, where existing housing stock has been destroyed or rendered uninhabitable. This lack of fixed housing stock is particularly acute in the States of Louisiana and Mississippi, where manufactured housing is the only currently available temporary housing solution for disaster victims who wish to be close to home, close to their jobs, close to their families, or close to their childrens' schools.

While manufactured housing can provide a timely and effective temporary solution for critical and immediate housing problems, we also recognize that large group sites can create social challenges and logistical problems. Accordingly, we strongly encourage, wherever possible, that manufactured units be placed on private property—such as a family driveway—so that disaster victims can remain in their communities as they begin the long process of rebuilding their homes and their lives.

However, when it becomes necessary to develop group manufactured housing sites—and it is absolutely necessary for many communities across the Gulf Region—our preference is to place such units on previously developed commercial sites, since they already have the infrastructure necessary to support timely installation and occupancy. However, in those areas where the lack of infrastructure and/or capacity prevents use of private or commercial sites, we are actively building sites—with the necessary infrastructure—to support manufactured housing communities. Again, recognizing that manufactured housing communities can, over time, present social challenges, the size of such developments is limited if a larger concentration of manufactured housing units is proposed, this siting must be specifically approved by DHS, and the State and local governments.

As of February 10, 2006, we have more than 75,000 manufactured units occupied in the Katrina and Rita impacted States. The overwhelming majority of these units are travel trailers. Trailers are utilized with far greater frequency because they are movable, and thus can be employed in low-lying areas where installation of a mobile home is prohibited due to the risk of further flooding. In addition, they are smaller and can be parked on property owned by a homeowner, while that household works to repair their damaged structure.

One of the biggest challenges facing the recovery effort is finding and securing sufficient rental assets to meet the huge demands created by the mass exodus of evacuees. Fortunately, numerous dwellings have been made available by other Federal agencies. To date, over 11,000 evacuee households have been placed in Federal housing resources across the Katrina-Rita impact areas. For example, the U.S. Department of Agriculture has made thousands of such dwellings available. In Louisiana alone, 1,100 families have been placed in USDA houses. We have also entered into an interagency agreement with the Department of Veterans Affairs to make their unsold housing units available for evacuee rental, and are actively pursuing a similar arrangement with Fannie Mae.

In addition, the U.S. Department of Health and Human Services recently announced $550 million in funding to the 50 States and the District of Columbia for additional hurricane relief. These funds will come from the social services block grant (SSBG) program, administered by HHS' Administration for Children and Families (ACF). They will be given to States to provide health care, mental health, and social services, as well as for the repair, renovation, and construction of facilities providing those services to victims of Hurricanes Katrina, Rita, and Wilma.

We have been collaborating closely with HUD from the outset of this event, working together to reconcile and apply our respective authorities and capabilities to provide maximum benefit to those most in need of housing assistance. In addition to

partnering with the Department of Homeland Security and FEMA through their KDHAP program, HUD has made repossessed houses available to FEMA-eligible disaster households, and has placed hundreds of disaster victims in houses in the 4-State area, including 207 families in Texas alone. Today, both here and in the field, HUD teams and personnel continue to work closely with FEMA to identify year and assist eligible disaster victims, wherever they may be.

HUD also recently announced HUD's plan to allocate $11.5 billion in disaster funding among 5 Gulf Coast States impacted by Hurricanes Katrina, Rita, and Wilma. The emergency funding is provided through HUD's Community Development Block Grant (CDBG) program to specifically assist Louisiana, Mississippi, Florida, Alabama, and Texas in their long-term recovery efforts. This along with HUD's Disaster Voucher program (DVP), created through a $390 million supplemental appropriation in the Department of Defense Appropriations Act of 2006, will provide ongoing temporary rental assistance for people displaced by Hurricanes Katrina and Rita who at the time lived in public housing, had a voucher, or who were homeless. KDHAP rental assistance, funded by FEMA and operated by HUD.

While transitioning so many displaced households into temporary housing has been—and will continue to be—a challenge, FEMA and its partners at every level of government and within the private sector are committed to work together to find timely and equitable solutions.

Our voluntary partners are an invaluable part of meeting the challenge of housing applicants. One example of the critical role of the voluntary agency community is our continued partnership with the National Voluntary Organizations Active in Disaster (NVOAD) and our work with one of their member agencies: UMCOR—the United Methodist Committee on Relief. UMCOR, through a $66 million dollar grant provided from international donations, is helping FEMA and the States identify and provide intensive case management assistance to those evacuees facing the toughest of circumstances in re-establishing their lives and livelihoods, including those evacuees who are not eligible for FEMA financial assistance or have exhausted that assistance. As our casework partner, UMCOR is helping such families find housing, find jobs, and learn to handle their finances, as well as cope with the many challenges of integrating into a new—or devastated—community. To accomplish this mission, UMCOR is fielding 600 case managers, as well as leveraging 2,400 volunteer case managers, to provide comprehensive assistance to over 100,000 households in need.

Recognizing the immense scale and complexity of the long-term recovery challenges and considerations facing the Gulf Coast, the President established the Office of the Federal Coordinator for Gulf Coast Rebuilding, and appointed Chairman Powell to lead that organization's efforts. To help ensure that the Department of Homeland Security and FEMA are coordinating fully with Chairman Powell, and that maximum collaboration takes place between, FEMA recently appointed Mr. Gil Jamieson as the Deputy FEMA Director for Gulf Coast recovery. In this role, Mr. Jamieson will oversee FEMA recovery operations across the Gulf States, and will be coordinating closely, and routinely, with Chairman Powell and his staff.

In summary, as of early February, FEMA has spent over $6.1 billion on assistance for over 1.4 million disaster victims. As this difficult recovery phase continues, so too does our relentless commitment to the victims of these disasters, and to the States and cities who are helping to house and care for them. At the same time, we continue to seek alternative housing solutions in the impacted areas, to afford as many displaced victims as possible the opportunity to return home, as quickly as possible.

We all realize that this road to recovery will be a long one, and fraught with challenges and frustrations along the way. Nevertheless, this Agency, this Department, and this Administration remain committed to the mission: The successful restoration of a socially and economically vibrant Gulf Coast.

Thank you. I am prepared to answer any questions you may have.

PREPARED STATEMENT OF MARTIN J. GRUENBERG

ACTING CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION

FEBRUARY 15, 2006

Chairman Shelby, Senator Sarbanes, and Members of the Committee, I appreciate the opportunity to testify on the efforts of the Federal Deposit Insurance Corporation (FDIC) and the other Federal regulatory agencies to respond to the impact of

last year's devastating hurricanes on federally insured financial institutions and their customers in the Gulf Coast region.

In December, I traveled with FDIC staff to New Orleans and Mississippi. We met with local financial institutions, the State banking commissioners, and local community group leaders. As many have observed, it is difficult to appreciate the challenge confronting the Gulf Coast region until visiting the area and seeing first hand the scale of the damage. It is also impossible to visit the area and witness the determination of the local financial institutions and community leaders to rebuild their communities without feeling a renewed sense of the obligation of the FDIC and the other Federal financial institution regulatory agencies (Federal regulatory agencies) to do all we can to assist them in that effort.

My testimony will review the actions taken by the FDIC and the other Federal regulatory agencies immediately following the storms to maintain confidence in the region's financial institutions, as well as interagency actions during the past 6 months to assist institutions and individuals affected by the hurricanes. I also will provide the FDIC's current assessment of the impact of the hurricanes on the condition of the federally insured financial institutions (financial institutions) in the region, and discuss outreach efforts planned in the near-term.

At the outset, I want to point out that much of the work of the FDIC that I will describe today took place under former FDIC Chairman Donald Powell. He deserves great credit for his leadership of the FDIC, as well as for his current leadership as Federal Coordinator of Gulf Coast recovery efforts.

Federal Regulatory Agency Actions Following the Storm

When Hurricanes Katrina and Rita hit the Gulf Coast, they impacted the operations of at least 280 financial institutions, with 120 of these institutions headquartered in the 49 counties and parishes in Alabama, Louisiana, and Mississippi designated by the Federal Emergency Management Agency (FEMA) as eligible for individual and public assistance. Similar to other sectors of the Gulf Coast economy, financial institution facilities were destroyed, communication and data processing capabilities were disrupted, and financial institution employees saw their homes destroyed or inundated with flood waters.

In the aftermath of the storms, the FDIC along with the other State and Federal regulatory agencies [1] were committed to doing everything possible to preserve public confidence in the financial system and restore essential financial services. The agencies immediately began working with financial institutions to help them resume operations and with customers to communicate accurate information about their institutions and how they could get needed cash. The agencies' communication initiatives included contacting financial institutions, connecting customers to their institutions and coordinating supervisory oversight programs. To facilitate communication, the FDIC and the other Federal regulatory agencies issued a number of press releases related to the Gulf Coast hurricane recovery. A list of these press releases is attached as Appendix A.*

One of the first steps the FDIC took following Katrina's landfall was to create an internal FDIC Hurricane Task Force (Task Force) to coordinate the efforts of the units of the Corporation around the country and ensure prompt sharing of accurate information among staff, other regulators and consumers. The Task Force oversaw efforts to identify insured institutions experiencing service interruptions and assist those institutions to resume operations. The FDIC and other regulatory agencies immediately contacted management officials from the affected institutions to assess their operational status. The agencies quickly determined that some institutions were finding it difficult to operate branch offices and process electronic transactions, including automated teller machine (ATM) transactions. Fortunately, due to disaster preparedness procedures that all insured institutions are required to have in place, most institutions resumed operations within hours or a few days, using facilities that were not severely damaged, establishing temporary locations, or sharing facilities and even employees in order to provide services to areas where facilities were heavily damaged. For example, one institution shared a branch in the Jefferson Parish of New Orleans with five competitors to minimize disruptions to local customers.

The FDIC also worked to connect customers with their financial institutions while at the same time maintain public confidence in the financial industry. We immediately established a 24-hour consumer hotline to answer questions about contacting

[1] Federal regulatory agencies included the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, Office of Thrift Supervision and National Credit Union Administration. State regulatory agencies include supervisory authorities in Alabama, Louisiana, and Mississippi, as well as the Conference of State Bank Supervisors.

* Held in Committee files.

financial institutions, including questions about accessing accounts, replacing lost records, obtaining replacement ATM cards, and processing direct deposit payments. The FDIC also updated its website with information about financial institutions operating in the affected areas along with customer service and branch contact information. The FDIC consistently emphasized that deposit insurance remained in force, financial institution customers' money was safe, cash was available, and consumers should be vigilant about the potential for theft and scams.

From the outset, the Federal regulatory agencies recognized that we were dealing with extraordinary circumstances that required flexibility in the application of financial institution rules and regulations. Immediately after Katrina made landfall, the agencies urged financial institutions to be flexible with borrowers and others experiencing disruptions due to the storm. This was followed by a series of advisories providing guidance and information to financial institutions and their customers. During the past 6 months, the Federal regulatory agencies have encouraged financial institutions to work with borrowers by deferring loan payments, extending repayment terms, restructuring existing loans, easing terms for new loans (including the ability to skip some payments), and providing short-term loans for living expenses until insurance proceeds are received. The agencies sponsored several public service announcements encouraging individuals affected by the storms to contact their lenders. Only through keeping the lines of communication open will financial institutions determine how they can help individuals recover from this natural disaster without impairing the individuals' credit ratings or weakening the financial viability of the institutions. A list of all FDIC Financial Institution Letters providing advisory guidance regarding the Gulf Coast hurricanes is attached as Appendix B.*

In addition, on September 19, 2005, the Federal Financial Institutions Examination Council (FFIEC) formed the Katrina Working Group (Working Group). Made up of senior supervisory staff from all FFIEC member agencies[2] and the Mississippi Banking Commissioner,[3] the Working Group continues to address supervisory policy issues emerging from the disaster. The Working Group established a frequently asked questions board on the FFIEC website and directed the publication of examiner guidance to ensure consistent treatment of affected institutions, regardless of charter. The Working Group continues to meet with key financial institution organizations and consumer groups to strengthen communication among all affected parties. This group also is identifying and assessing the flexibilities available to the FDIC and other Federal regulatory agencies to assist financial institutions affected by the disaster. Where possible, the Federal regulatory agencies have modified regulatory requirements and procedures to facilitate the recovery of institutions affected by the storms. For example, the agencies simplified several application and filing requirements including branch closings and relocations.

Impact of the Hurricanes on Financial Institutions

The economic toll of Hurricanes Katrina and Rita is unprecedented in U.S. history and the recovery will take an extended time. Much of the damage was caused by flood or storm surge, and the greatest economic losses are centered in Louisiana and Mississippi.

Historically, no financial institutions are known to have failed as a result of past natural disasters. In fact, community financial institutions traditionally have played a critical role serving the areas most severely affected by the hurricanes. However, due to the scale of destruction left by these storms, it remains difficult to determine the applicability of experiences from previous disasters to the current situation.

The 120 insured institutions headquartered in the 49 designated disaster counties and parishes are relatively small community financial institutions. According to financial data for these institutions, about three-fourths of them hold less than $250 million in assets, and only five have assets greater than $1 billion. Eighty seven of these 120 institutions obtain 100 percent of their deposits within the disaster counties, and only 5 receive more than half their deposits outside the area. These institutions have a long history of lending in their local communities and are heavily invested in local real estate with residential and commercial real estate loans representing more than 60 percent of their combined loan portfolios. As a result, not only does the local population rely heavily on these institutions, but the prospects

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* Held in Committee files.

[2] Board of Governors of the Federal Reserve Board, Comptroller of the Currency, FDIC, National Credit Union Administration, and Office of the Thrift Supervision.

[3] The Mississippi Commissioner is representing the FFIEC's State Liaison Committee.

of these 120 institutions, 94 located in Louisiana, 17 in Mississippi, and 9 in Alabama, are closely linked to the health and vitality of the local economies.[4]

Although most of these 120 institutions were financially strong before the hurricanes, financial results to date do not yet provide a clear picture of the full effects of the storms since many of the institutions in the area continue to extend loan deferrals and are still communicating with customers to develop long-term rebuilding plans. Nevertheless, recent financial results provide some indications of how the institutions may be reacting and adjusting to the effects of the hurricanes. Post-hurricane data reveal that a number of institutions operating in areas hit hard by Katrina are moving fairly aggressively to build loan loss allowances and experienced a pick-up in charge-off rates. Consistent with this, 20 institutions reported net operating losses for the fourth quarter. Despite these losses, all institutions remained "well-capitalized" or "adequately capitalized," reflecting the strong capital positions of most institutions prior to the hurricanes. Liquidity for most of the institutions also remains strong.

Looking ahead, there is considerable uncertainty regarding the prospects for the financial institutions that are most directly affected by the hurricanes. Over the medium-term horizon, the greatest source of uncertainty and concern is the effect of the hurricanes on credit quality. Over the longer-term horizon, the prospects for these financial institutions will be determined largely by the economic prospects of the communities they serve.

With respect to credit quality, the outlook for each institution will depend on a variety of currently unknown factors, including reimbursement amounts and timing of insurance proceeds, borrowers' repayment capability, collateral protection, and the availability of financial assistance programs. The FDIC is utilizing both supervisory outreach and data analysis to assess the extent to which insured institutions in the region may experience medium- to long-term credit quality and profitability issues.

Our supervisory outreach started immediately after Hurricane Katrina. The FDIC and other agencies contacted all 120 insured institutions previously mentioned. Among the subjects we discussed with the institutions' management were the degree to which there was a significant decline in population in the institutions' trade area; notable personnel shortages caused by employee relocations; extensive commercial or residential lending activities within designated disaster areas; and substantial structural or contamination damage to financial institution facilities. This helped us gain some basic information to identify which financial institutions should receive the most supervisory attention.

During December 2005, examiners from the FDIC and the other agencies visited many of these insured institutions. At these meetings, the agencies asked bank management more detailed questions related to the degree to which borrowers in the affected area had been contacted, to what extent they were covered by insurance, and to what extent they knew if their customers were capable of repaying their loans. Beginning in January, the agencies resumed their comprehensive examination programs that were suspended at the time of the storms.

In addition to this type of supervisory analysis, the FDIC is conducting off-site research utilizing mapping tools and data from a variety of sources to provide us with additional information. This analysis involves using data from FEMA on damage assessments and flood insurance coverage, along with data on financial institution loan levels and deposits. We are working with other government entities and organizations to research sources of information that will help identify institutions with significant loan exposures in areas of the Gulf Coast most severely damaged by the hurricanes. We then use off-site stress testing tools to determine how vulnerable these institutions may be to medium- to longer-term credit weakness under various scenarios. Our analysis is ongoing, and we plan to share the analysis with the insured institutions.

As a result of these efforts we have narrowed our focus from the initial group of 120 institutions to a small group of institutions, which we will continue to monitor the most closely. As suggested earlier, the prospects for the financial institutions most affected will depend in large measure on the efforts underway to rebuild and revitalize the communities these institutions serve.

Next Steps

In addition to their regular supervisory activities, the Federal regulatory agencies are hosting a forum in New Orleans on March 2 and 3. *The Future of Banking on*

[4] For further information, see the Winter 2005 issue of *FDIC Outlook,* "In Focus This Quarter: A Preliminary Assessment of the Effects of Recent Hurricanes on FDIC-Insured Institutions," and in particular "Financial Characteristics of Banks Affected by Katrina."

the Gulf Coast: Helping Banks and Thrifts to Rebuild Communities will focus on short- and long-term challenges facing banks and thrifts operating in areas affected by hurricanes and ways to help these institutions rebuild their communities. The agencies are inviting to this forum executives from all the community financial institutions in the region, the larger regional financial institutions, as well as a number of large institutions from around the country with operations that are national in scope. State banking supervisors and other Federal Government agencies will also participate in the forum.

The forum will promote an exchange among Gulf Coast community financial institutions, national and regional institutions, and Federal agencies involved in the rebuilding effort. Executives from community financial institutions will have an opportunity to discuss their experiences, the challenges they face, and the ways that banking and governmental organizations can collaborate to address these challenges. Executive officers of larger financial institutions from across the region and the country will discuss ways they may be able to help local financial institutions meet the needs of consumers and businesses. Possible support that large institutions may be able to provide community institutions include operational assistance such as accounting or computer programming, loan participations and purchases, and noncontrolling capital investments. They will have the opportunity to explore with the community financial institutions potential partnerships to revitalize and stabilize damaged communities through the financing of housing and business development, infrastructure improvements, and community services.

To ensure that these initiatives continue, one outcome of the forum will be to establish a task force or working group comprised of representatives of local community financial institutions and larger regional and national financial institutions to facilitate ongoing working partnerships.

Conclusion

Since the hurricanes first struck the Gulf Coast area last summer, the resiliency of the local community financial institutions most impacted by the storms has been impressive. The Federal regulatory agencies are fully engaged with financial institutions in the region to ensure that the adverse impact on the industry and their customers is minimized to the extent possible. However, additional challenges for community financial institutions in the disaster area may lie ahead. Given the many uncertainties at this time, it is too early to determine what impact the disaster will have on the long-term condition of these institutions. We will continue to monitor closely the condition of the affected financial institutions and will work closely with their management so that we can appropriately address the challenges that will likely arise in the future as this region recovers.

PREPARED STATEMENT OF HERBERT MITCHELL

ASSOCIATE ADMINISTRATOR, OFFICE OF DISASTER ASSISTANCE
SMALL BUSINESS ADMINISTRATION

FEBRUARY 15, 2006

Good Morning Chairman Shelby, Ranking Member Sarbanes and distinguished Members of this Committee. Thank you for inviting me to discuss the continuing efforts of the Small Business Administration's Office of Disaster Assistance to provide relief to the victims of Hurricane Katrina. My name is Herb Mitchell, I am the Associate Administrator for Disaster Assistance at the SBA.

The SBA Disaster Assistance Program, administered by the Office of Disaster Assistance, is the primary federally funded, disaster-assistance *loan* program for funding long-term recovery for renters, homeowners, and nonagricultural businesses.

Hurricanes Katrina and Rita unleashed an unprecedented tragedy on the Gulf Coast, demanding an unprecedented response from the Federal Government, including the SBA. The numbers are staggering. In just the first 70 days after Katrina hit, SBA received over 220,000 disaster loan applications; and as of this week, the SBA has received over 375,000 applications, from victims in the Gulf Coast.

To put this in perspective—after the four hurricanes in 2004, SBA received a total of 202,000 applications. That number is approximately one-half of what we ultimately expect to receive as a result of Hurricane Katrina.

The disaster affected an area of more than 90,000 square miles and five States; we have mailed out millions of applications to home and business owners in the Gulf Coast. Previously, the largest disaster SBA has dealt with, the Northridge Earthquake, where 250,000 applications were received over an 18 month period.

That is a huge number and we have easily surpassed that in this disaster. We very well may double that number as we continue to receive new applications every day.

To date, of the total applications received, nearly 90 percent are from homeowners. The remainder of applications are from businesses of all sizes in the Gulf Area. This is a monumental change from previous disasters. Typically, we see 3 in 4 applications being placed by homeowners, but during this disaster that number has increased dramatically to 8 in 9.

Despite the massive disaster and unprecedented volume of applications, the SBA has responded. In 88 days, the SBA approved its first billion dollars in disaster loans; since then it took the SBA only 28 days to approve the second billion dollars, and just 17 days to approve the third billion dollars. And as of today we have approved over $4.3 billion dollars in disaster loans to over 60,000 homeowners, renters, and businesses along the Gulf Coast. I credit this incredible volume of loans being approved with the increased manpower, efficiency, and capacity building of our processing systems, and the ability to now reach parts of the region that were previously inaccessible.

We have gone from 880 to over 4,000 employees. Our approval systems and processes have been ramped up to accommodate the extremely large volume of loan applications.

Due to the improvements in loan processing capabilities, the SBA is prepared to handle the next disaster. Prior to Hurricane Katrina, the SBA used Northridge Earthquake as the worst-case-scenario in which to base its models to prepare for future disasters. The disaster and response triggered by Hurricane Katrina will replace the Northridge earthquake as the basis for future preparations.

Chairman Shelby, I appreciate the opportunity to testify before you today. I look forward to answering any questions that you or your fellow Committee Members might have.

General Comment about the Data Used to Respond to Questions by Alphonso R. Jackson

As you know, many of the questions from the Committee relate to the extent of damage to assisted housing units and HUD's estimated demand for disaster voucher program (DVP) assistance as a result of Hurricanes Katrina and Rita.

To place the answers into context, we want to make clear that several different sources of data are used to answer the questions and the differences in the data sources will explain differences in unit counts. The data sources are:

(1) FEMA Individual Assistance registrant information, including unit inspection data, matched to the Social Security Numbers of tenants of assisted housing (Vouchers, Public Housing, Project-Based Section 8, Section 236, Section 202, Section 811). These data allow for a direct comparison of damage to *occupied* housing units across all of HUD's programs. These data are also comparable to previously released data on the extent of damage to all housing units affected by the disaster *(http://www.dhs.gov/interweb/assetlibrary/GulfCoast_HousingDamageEstimates_021206.pdf).*

The FEMA data are useful for measuring likely demand relative to current take-up for the DVP program and an overall discussion of how the disasters affect the affordable housing stock overall, including units occupied by voucher households.

They are not as useful for determining the exact impact of the storms on public and assisted housing units because (1) they only reflect occupied units and (2) they lump units into only three broad categories of minor, major, and severe damage. More detailed and comprehensive inspections are required to assess the full extent of damage incurred by individual public and assisted housing developments.

(2) Housing Authority of New Orleans (HANO) direct inspections and cost estimates. HANO was the largest housing authority to be substantially affected by Hurricane Katrina. At the time Katrina struck, only 5,167 of the 7,100 HANO public housing units were occupied. The FEMA data above only report on occupied units. HUD's direct inspection reflects development-level inspections for all 7,100 units plus a substantial number of units under development at the time of the storm. The data on extent and type of damage to each development includes the *estimated cost to repair.**

(3) Other affected PHA's in Mississippi and Louisiana. HUD conducted phone surveys of all housing authorities in the affected areas to determine the extent of damage. Housing authorities provided preliminary assessments of their damage based on either visual inspections or more thorough inspections. Specific estimates from insurance adjusters and contractor bids are just now being developed and are not available yet for this analysis.

(4) Privately Owned Multifamily Insured and Assisted Housing Units. After Hurricanes Katrina and Rita struck, the Department immediately initiated its damage assessment protocol and process for all HUD-assisted properties (including the senior and

*Held in Committee files.

disabled housing) in the affected areas. The process included initial telephone assessments (both of the physical plant as well as the status of the residents) within the first week of the disaster, followed by physical site visits to the properties receiving moderate to severe damage and subsequent individual meetings with each owner to discuss the repairs, rehabilitation, or rebuilding of the property. The Department has completed all site visits and has commenced meetings with the property owners. As with the public housing assessments, these estimates are based on damage to the developments in total and do not categorize individual units in the development as having minor, major, or severe damage.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM ALPHONSO R. JACKSON

Q.1. It was mentioned that 10,000 public housing units were destroyed and 3,000 needed substantial repair, but how many public housing units have mold and water damage?

A.1. See response to question 1 of Senator Reed concerning the assessment of damage to public housing, including conditions related to mold and water damage.

Q.2. Please make available the plan for rebuilding the public housing units.

A.2. See response to question 2 of Senator Reed concerning the plan for rebuilding public housing units.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR SARBANES FROM ALPHONSO R. JACKSON

Q.1.a. HUD initially estimated that 65,000 families would be eligible for the Katrina Disaster Housing Assistance Program (KDHAP), based on the number of families who were in HUD-assisted housing prior to Hurricane Katrina. At the hearing we held on February 15, 2006, you indicated that somewhere between 24,000 and 32,000 families were eligible for KDHAP assistance.

How many families in the affected areas were in HUD-assisted housing or had HUD assistance prior to Hurricane Katrina? Please provide the numbers by program.

A.1.a. HUD has been making data available to the Committee on likely demand for KDHAP/DVP assistance based on the best available information at the time. Immediately after the Hurricane Katrina struck, HUD lacked information on individual household needs. As such, HUD's initial estimate of 103,000 affected assisted households was based on the number of HUD-assisted households in the counties within the FEMA designated areas for individual assistance. Not every assisted household in those counties were actually affected or displaced by the disaster.

When HUD was able to match its records on household receiving assistance to the total number of FEMA registrant households, it resulted in a more refined estimate of 65,000 eligible families. At the time, the registrant data did not have information on the extent of unit damage for individual households.

As of February 12, FEMA had conducted housing unit inspections for most registrant households. In addition, DVP funds will

be made available to assist predisaster voucher families that have returned to the most heavily impacted areas of Louisiana and Mississippi, thereby freeing-up voucher funding for combination with public housing funding, pursuant to the Section 901 of the Department of Defense Appropriations Act 2006. HUD's current low-end assessment of demand for the DVP, by assisted housing program is based on the following:

Referred to a PHA for KDHAP/DVP assistance (March 8 data)	
HANO voucher recipient	7,370
Non-HANO voucher recipient	3,740
Public Housing	3,598
Multifamily Assisted	2,532
Homeless Program	20
Subtotal	*17,260*
Currently receiving FEMA rental assistance or unknown	
HANO voucher recipient	2,210
Non-HANO voucher recipient with FEMA assessed major or severe damage[1]	3,554
Public housing recipient with FEMA assessed major or severe damage	2,252
Multifamily Assisted with major or severe damage	1,306
Homeless Program	29
Subtotal	*9,351*
TOTAL	26,611

As PHA's are permitted to substitute DVP assistance for regular voucher assistance to facilitate reconstruction of their public housing, the number of eligible recipients will increase, possibly to as many as 32,000 units.

Q.1.b. HUD staff have indicated that just over 15,000 families are receiving KDHAP/DVP assistance, and less than 8,000 have leased apartments. Is this correct?

A.1.b. This number changes daily. As of March 8, 17,260 families had been referred to PHA's for admission. Just 10 days later, as of March 18, 2006, approximately 20,600 families had been referred to PHA's for admission to the DVP, and more than 12,350 of those families had leased units.

Q.1.c. Has HUD cross-referenced its list of families who were receiving HUD assistance prior to Katrina with FEMA's database of registered families to ensure that they are all receiving some form of housing assistance? If not, how does HUD know that all families are in stable housing situations? If HUD has cross-referenced HUD data and FEMA data, please provide information on how many formerly HUD-assisted households are being assisted by FEMA, and how many were not found in FEMA's database.

A.1.c. Yes, HUD did match FEMA-registered families against the HUD databases for assisted families, rent roll data, and other in-

[1] HUD assumes that households that registered and had minor or no damage and have not yet applied for KDHAP assistance have returned to their unit. Analysis of the FEMA registrant data tends to confirm this. Most households in housing units with primarily minor damage have the same "current address" as "damaged address." For those with minor damage and a different current address, we assume they have returned home as well and have had no reason to contact FEMA that would result in their current address being updated.

formation sources to verify that the families received HUD assistance prior to Hurricane Katrina. That matching allows us to determine, as shown on the table for question 1a, that as of March 8, nearly 9,400 households were likely eligible for KDHAP/DVP assistance and have not yet been referred. It should be noted that some households may not have registered with FEMA while others may not have had their unit inspected by FEMA. In those cases, HUD's 9,400 estimate on unmet demand would likely be low.

HUD interpretation of FEMA rental assistance data is that among those that have registered and have a unit inspection showing damage that is major or severe, 40 percent appear to have received FEMA rental assistance since November 2005. HUD continues to do outreach to locate other households who are eligible. In just 10 days between March 8 and March 18, more than 3,000 additional households were referred to PHA's for admission to DVP.

Q.2. Please provide for each public housing development in New Orleans, the most up-to-date estimate of damage, and when HUD or housing authority staff began, or will begin, clean-up and recovery. How much money is available to pay for the necessary repairs for each: Public housing capital, operating and Section 8 funds?

A.2. *Estimate of Damage.* The estimated cost to repair the damage to each of HAND's public housing developments are as follows:

Property	Estimated Repair/Replacement/Cost Escalation*
Fischer	$2.8 million
Guste	$3.2 million
Hendee Homes	$75,000
C. J. Peete	$3.2 million (only occupied buildings)
B.W. Cooper	$23.4 million
Iberville	$8.6 million
Lafitte	$24.2 million
St. Bernard	$46.6 million
Florida	$17.6 million
Desire	Extensive Damage, cost not yet determined
St. Thomas	Minor damage, cost not yet estimated
HANO Administrative Buildings	$1.5 million
Various Scattered Sites	$58.9 million (not all with estimates)
Subtotal - Repair/Replacement Cost Units	Over $195 million
Subtotal - Repair of non-residential buildings	Over $6 million
TOTAL	**Over $200 million**

*Estimated Costs for HANO-owned units (estimates based on extensive overview of units, insurance adjuster estimates received to date, and current local post-Katrina construction cost projections – subject to change based on unit details and changed post-Katrina costs)

More detailed descriptions on development damage can be found in Attachment 1: Housing Authority of New Orleans (HANO) Modernization, Development, and Maintenance Status Report.*

Clean up and Recovery. Clean up and recovery efforts for HANO have begun. While this will be a long, tenuous process, the following highlights some recovery efforts.

- *Initial Assessments are complete.* HANO has completed the initial assessment of each HANO property. Families are returning to the Guste, Fischer, and St. Thomas communities.

*Held in Committee files.

- *Procurement process to obtain vendors is underway at BW Cooper.* HANO staff and contractors are preparing a statement of work and bids proposals for a quadrant of BW Cooper.
- *Initial damage assessment and cost estimates for repair of units are complete for St. Bernard, Lafitte, and Desire.* HANO staff have drafted preliminary damage assessments and cost estimates.
- *Efforts in progress to reoccupy units at Iberville.* The HANO modernization staff is making advancement in preparing units for reoccupancy. Currently,
  - 387 units cleaned and repaired, and
  - 384 units currently under contract for cleaning or unit restoration.
- *Work requests are prepared for CJ Peete.* HANO staff and contractors have prepared work orders to mitigate damages at CJ Peete. HANO staff is poised to mobilize and complete repairs to units.

Available Funds for Repairs. Finally, HANO has $45,8096,613 in public housing capital funds and $6,538,210 in public housing operating funds for use in repairing pubic housing. HANO's voucher renewal funding for calendar year 2006 is $67,588,571.

Q.3. Please provide details on what HUD is doing to assess damage to senior and disabled housing developments, and what actions HUD is taking to ensure these populations have housing to return to in the affected areas.

A.3. HUD is working with affected housing authorities and private owners to assess the damage to all of the assisted developments, including those serving senior and disabled residents. The introduction to these questions discusses the different approaches HUD is using to assess damage.

For privately owned multifamily assisted developments, the Department has encouraged owners to maintain contact with their residents (especially with the senior and disabled). Based on our meetings with the owners held to date, the owners are aware of the locations of the senior and disabled residents as many were relocated by the owners to other projects or are living with relatives.

The Department conducted a group meeting with owners and managers of damaged properties on January 27 in New Orleans. Owners learned about loans, grants, and other programs available to assist in their rebuilding from HUD, SBA, FEMA, and State agencies. The Department anticipates conducting more meetings of this nature in the future and continues to meet with the property owners to determine next steps in repairing, rehabilitating, or rebuilding the projects.

The goal is to preserve these affordable housing units to the greatest extent possible. The Department has encouraged the lenders to provide the flexibility and give forbearance on mortgage payments. For HUD-held projects, the Department is providing the necessary flexibility, approving mortgage forbearances and a moratorium on foreclosures when necessary to ensure the owners have the time to develop a plan and procure the required financing to complete the work. The Department also has been encouraging and

working with the State agencies to provide funding to multifamily rental projects that are in need of repair or rehabilitation. The residents have a right of first refusal to return to the project. In meetings with the owners of the senior and disabled housing to discuss the next steps to address the physical needs of the project, the Department is also addressing the status of the necessary supportive services that are provided through the community (hospitals, pharmacies, availability of personnel, etc.) to ensure that those services will be available when the project is ready for occupancy.

Q.4. Many HUD grants are based on population and need in the community. I am concerned that funding in the affected areas will be reduced as a result of population loss at the very time that many residents are trying to return to their homes and communities. What is HUD doing to ensure that funding for hurricane impacted areas does not decrease?

A.4. HUD does look at the "need in the community," and will use all available resources to support the redevelopment plans of the Gulf Coast communities. While population changes need to be considered, the HUD is focused on restoring the housing resources that existed prior to the hurricane, allowing families to return.

Q.5. Please provide the most recent data on FHA-insured multifamily housing. How many units existed in LA and MS, how much damage was sustained, and what is the estimated cost of clean-up and repair? Please provide the same information for Section 8 developments.

A.5. Prior to Hurricanes Katrina and Rita, Louisiana had 407 properties with either multifamily mortgage insurance, project-based assistance, or both. Those properties had 35,943 units. Mississippi had 422 properties with 31,024 units.

As noted above, the Department made an initial determination of developments with minor, moderate, or severe damage by surveying property owners over the telephone. On-site visits were then made to all of the developments with severe damage and some of the developments with moderate damage. Those on-site visits allowed for developing estimates of total cost to repair for the developments with severe damage.

The table below shows the result of the telephone survey and cost to repair information for properties with FHA insurance and properties with assisted units. Since there is overlap between these sets of properties, the table also provides a total properties count. These inspection data currently do not indicate what proportion of the units in a property that received damage. However, by dividing the estimated cost to repair by the total units in a property, it can provide some information on the extent of damage. The per unit cost of repair for Louisiana severely damaged developments is more than three times that of Mississippi severely damaged properties.

To date, the Department's focus has been on the properties with severe damage and dealing with the owners to rebuild the projects as soon as possible.

	Total Properties	Properties with FHA Insurance	Properties with Assisted Units
Louisiana			
Minor or No Damage	318	160	230
Moderate Damage	15	8	9
Major/Severe Damage	74	45	49
Subtotal	407	213	288
Properties with major/severe damage:			
Cost to repair		$211,704,601	$198,191,360
Number of units in properties	9,312	6,503	4,745
Dollars per unit		$32,555	$41,768
Mississippi			
Minor or No Damage	355	167	286
Moderate Damage	41	28	29
Major/Severe Damage	26	13	11
Subtotal	422	208	326
Properties with major/severe damage:			
Cost to repair		$23,330,000	$12,205,000
Number of units in properties	3,247	2,196	972
Dollars per unit		$10,624	$12,557

Q.6. I have heard reports that in Katrina affected areas, decreased housing supply and other factors have resulted in increased rents. Has HUD analyzed this and made changes to its Fair Market Rents? If so, please provide us with details on when FMR's were changed, for what areas, etc. If not, please explain why no analysis and/or change in FMR's has occurred and whether HUD will do such a review of current rents.

A.6. Both the Baton Rouge and New Orleans rental housing markets experienced enormous impacts from Hurricanes Katrina and Rita. In New Orleans, the impacts were a combination of damage that made over half of the inventory uninhabitable and a massive increase in demand for the remaining units. The Baton Rouge rental inventory also had some damage, but the influx of New Orleans evacuees had a far greater impact and virtually eliminated vacancies.

Surveys of both rental markets show effectively no vacancies. Operating and repair costs have increased and insurance costs, which were already very high, are expected to further increase this year. Apartment complex survey data indicate that rents have increased 25–30 percent in New Orleans and 15–20 percent in Baton Rouge. These results are supported by extensive field work by HUD economists who have been researching local market conditions. In a *Federal Register* Notice published March 6, 2006, HUD increased Baton Rouge FMR's by 25 percent and New Orleans FMR's by 35 percent. The FMR increases provided are believed adequate to reflect current market circumstances and should cover at least part of the expected additional increases anticipated this year. The Department will continue to monitor this situation and modify FMR's if significant further rent increases occur. The increased FMR's for Baton Rouge and New Orleans are displayed below:

2006 Fair Market Rent Areas	Number of Bedrooms				
	0 BR	1 BR	2 BR	3 BR	4 BR
Baton Rouge, LA HMFA	$573	$624	$720	$918	$1009
New Orleans-Metairie-Kenner, LA MSA	$725	$803	$940	$1206	$1247

HUD is currently conducting rent surveys in Beaumont-Port Arthur, Dallas, Jackson, Houston, Little Rock, San Antonio and Shreveport, all of which are housing significant numbers of Katrina evacuees. The objective is to determine if disaster evacuees have reduced pre-Katrina vacancies enough to result in measurable rent increases. FMR increases will be issued if justified by the survey results for any of these areas.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM ALPHONSO R. JACKSON

Q.1. How many public housing and privately owned multifamily assisted units were damaged, and of these, how many received major or severe damage? How many were destroyed? How many units are currently occupied? (In your answer, please provide separate data for the public housing stock and the privately owned stock.)

A.1. Using data from surveys of public housing authorities, 23,206 units sustained damage. Housing authorities report 716 units were destroyed. In the properties sustaining damage, 12,249 of the units were occupied as of March 10, 2006. It should be noted that the term "damaged" has varied meaning, ranging from minor damage (missing shingles, broken windows) to severe damage (uninhabitable, complete gutting of unit needed). Unit assessments of damaged/destroyed units in the Katrina-impacted areas are continuing and the numbers reported to date will change.

Using the data from a telephone survey of multifamily property owners and on-site inspections of the developments with severe damage, 7,487 units were in properties with modest damage and 14,349 units were in properties with major/severe damage or destroyed. Owners report 9,019 residents are relocated as a result of damage.

Q.2. What is HUD's step-by-step plan to rebuild the public housing and multifamily assisted housing stock in the hurricane-affected areas (in your answer, please separate plans for public versus private housing stock)? What is your timeline for doing so? What steps will you take to avoid geographic isolation and concentration of low-income households? Do you anticipate changes in the number of units in this stock compared to the pre-hurricane stock? If so, what types of units will be increased or decreased in number? To what extent are you coordinating with other agencies with regard to environmental and infrastructure rebuilding?

A.2. *Public Housing:* Plans to rebuild pubic housing are locally driven. PHA's will evaluate damage and make a determination on the viability of the damaged units. PHA's are also filing claims with their insurance carriers. Insurance reimbursements will be

the primary source of funding for repairs and replacement of public housing damaged by Hurricane Katrina. To assist the PHA's in their recovery efforts, the Department has taken the following steps.

Awarded $29.7 million from the Capital Fund Reserve for Emergencies and Natural Disasters to PHA's in the Gulf Coast region during fiscal year 2005. These awards exhausted the fiscal year 2005 Capital Fund Reserve and were made to PHA's in the Gulf Region within several weeks of the disasters. As mandated by Congress, HUD may only provide funding for emergencies and natural disasters if there are appropriated funds available from the Federal fiscal year in which the event occurred. Currently, no other Capital Fund disaster assistance is available for PHA's affected by Hurricane Katrina.

Provided technical assistance to PHA's in the impacted area. HUD and contractor staff are working with housing agencies to conduct physical needs assessments, complete insurance applications, procure services to repair units, and submit applications for various public and private resources.

Will permit combining voucher funding with public housing funding. HUD will soon authorize certain PHA's in the most heavily impacted areas of Louisiana and Mississippi to combine voucher funding and public housing for calendar year 2006 funding to assist families who were receiving housing assistance under the United States Housing Act of 1937 immediately prior to Hurricane Katrina or Rita and were displaced from their housing by Hurricanes Katrina or Rita. This combining of funds was authorized by Section 901 of the Department of Defense Appropriations Act 2006, (Public Law No. 109–148).

Multifamily Assisted: For the multifamily assisted housing stock, the Department immediately initiated its damage assessment protocol and process for all HUD-assisted properties (including the senior and disabled housing) in the affected areas. The process includes initial telephone assessments (both of the physical plant as well as the status of the residents) within the first week of the disaster, followed by physical site visits to the properties receiving moderate to severe damage and subsequent individual meetings with each owner to discuss the repairs, rehabilitation, or rebuilding of the property. The Department has completed all site visits and has commenced meetings with the property owners.

The Department continues to meet with the property owners to determine next steps in repairing, rehabilitation, or rebuilding the projects. In addition, the Department conducted a group meeting with owners and managers of damaged properties on January 27 in New Orleans. Owners learned about loans, grants, and other programs available to assist in their rebuilding from HUD, SBA, FEMA, and State agencies. The Department anticipates conducting more meetings of this nature in the future.

The owner is responsible for developing a plan that includes a work write-up, cost estimate, and identification of sources of funds to pay for the work to be completed. HUD is requiring that those plans be reviewed and approved by the Department.

There is no definitive time frame for repairing the properties. The Department is working with each individual owner to develop

the plan. The Department's goal is to repair, rehabilitate, or rebuild these units as soon as possible but owners are experiencing difficulties with insurance companies regarding damage assessments and the amount of insurance proceeds that is delaying these efforts. We are requesting owners develop a secondary plan in the event insurance proceeds are not forthcoming in a timely manner.

Q.3. Under Section 504 regulations, at least 5 percent of new HUD housing must be accessible to persons with mobility disabilities and another 2 percent must be accessible to persons with sensory disabilities. However, according to census data, many areas in the Gulf region have disability rates of over 20 percent. Reports suggest that a large portion of the accessible housing stock was destroyed or severely damaged during the disaster, making it likely that the accessible, affordable housing supply is inadequate to meet demand in the region. What steps will HUD take to remedy shortages in disabled and elderly housing? What is the timeline for implementing these steps? What specific steps will HUD undergo to require housing authorities to match persons with disabilities and elderly with accessible units consistent with individual needs? Will HUD enforce the Section 504 regulations in the unfortunate event that housing authorities and local jurisdictions in the Gulf region fail to honor their obligations in terms of rebuilding accessible housing?

A.3. As housing in the Gulf Coast area is rebuilt following the destruction caused by the hurricanes, one of the Department's key concerns will be ensuring that such housing is rebuilt in accordance with the accessibility requirements of Federal law. All ground floor units of multifamily housing in nonelevator buildings with four or more units must be built in compliance with the accessibility requirements of the Federal Fair Housing Act. In elevator buildings with four or more units of multifamily housing, all units must meet the Fair Housing Act accessibility requirements. Units subject to these accessibility requirements, which apply to both public and private housing, must be accessible to or adaptable for use by individuals with disabilities.

In addition to the Fair Housing Act requirements, housing built with Federal financial assistance and housing built by State and local governments must comply with the accessibility provisions of Section 504 of the Rehabilitation Act of 1973 (Section 504) and Title II of the Americans with Disabilities Act (ADA). The regulations implementing those two statutes require at least 5 percent of the units to be accessible to persons with physical disabilities, including people who use wheelchairs, and at least 2 percent of the units to be accessible to persons with vision and hearing impairments, in accordance with the Uniform Federal Accessibility Standards. The Department has the authority to require greater percentages of units to be accessible to persons with disabilities pursuant to 24 CFR §§ 8.22(c) and 8.23(c) if census or other available data indicate a greater need for accessible housing.

The Assistant Secretary for Fair Housing and Equal Opportunity will be working with the Assistant Secretary for Public and Indian Housing and the FHA Commissioner to ensure that plans for newly constructed and substantially renovated public housing incor-

porates an appropriate number of accessible units given the needs of persons with disabilities in the areas served.

Q.4. Last week, HUD issued instructions to public housing authorities on how to administer its voucher program for people who were homeless prior to Katrina. Since 6 months have elapsed since the hurricanes, how does HUD intend to reach those who are eligible for assistance, but are now scattered across the Nation?

A.4. The Office of Special Needs Assistance Programs (SNAP's) used the Continuum of Care planning structure to inform homeless service providers and other interested parties of the availability of the Katrina Disaster Housing Assistance Program (KDHAP) and the Disaster Voucher Program (DVP). CoC's both in the affected areas as well as in areas where eligible households relocated identified a single agency to act as the gatekeeper or central administering agency for KDHAP. These agencies used their CoC networks to inform all stakeholders of the availability of KDHAP and DVP and the respective application processes. SNAP's and the Office of Housing Opportunities for Persons with AIDS (HOPWA) used listserv postings and direct email contact to alert service providers and other stakeholders of enhancements and changes to KDHAP and DVP. Additionally, persons calling the RCC numbers who were screened as homeless or in HUD special needs housing prior to Katrina were transferred to a contractor trained to collect additional information from the households and submit their information directly to HUD for inclusion in the *DVP* database.

Q.5. How many households in the hurricane-affected areas in Louisiana, Mississippi, and Alabama were receiving assistance from the following programs prior to Hurricanes Katrina and Rita: Section 8 vouchers; Section 8 project-based; Section 202; Section 811; Public Housing; and other types of assisted or insured units (please specify number of households by program type).

A.5.

Program Type	Occupied Units
1. Section 8 Vouchers	48,100
2. Section 8 Project-Based	23,900
3. Section 202	1,800
4. Section 811	600
5. Pubic Housing	27,000
6. BMIR	150
7. Section 236	700
6. Homeless and Special Needs Families	760
TOTAL	103,010

Source: HUD Data Systems (PIC, TRACS, PHA Rent Rolls)

Q.6. How many of the households you listed in each category in Question 11 were displaced by the hurricanes? What source(s) of data are you using to determine your answers to the previous questions?

A.6. The number of households displaced changes on a daily basis. According to FEMA inspection data, over 41,000 households receiving HUD assistance had some damage to their housing unit. Most of these households, and households with no damage at all, were likely displaced at some time prior and shortly after the storm. Over time, many households have moved back to their units, even if those units had minor damage. Households most likely to experience long-term displacement are those households in units that experienced major or severe damage. These homes require substantial repairs just to make them habitable. Matching the FEMA inspection data to HUD's data shows approximately 15,199 previously occupied units in this category. In addition, as property owners make repairs to units with minor damage, some occupants are likely to be temporarily relocated when work is underway. The table below provides FEMA Individual Assistance damage inspection data by program.

Program Type	Units with minor damage	Units with major/severe damage
1. Section 8 Vouchers	15,514	8,218
2. Section 8 Project-Based	3,962	1,868
3. Section 202	116	104
4. Section 811	35	265
5. Pubic Housing	6,041	4,429
6. BMIR	90	16
7. Section 236	196	265
6. Homeless and Special Needs Families	18	34
TOTAL	25,972	15,199

Source: HUD data matched to FEMA 2/12/06 extract

Q.7. Regarding HUD's interim assistance for those displaced by the hurricanes, how many households are receiving assistance under the Katrina Disaster Housing Assistance Plan (KDHAP) or its successor, the Disaster Voucher Program (DVP)? Of the people receiving assistance under DVP (or KDHAP), what type of housing assistance did they previously receive? Of the people receiving assistance under DVP, how many people were homeless? Initial statistics suggest that the number of households eligible for KDHAP and DVP is substantially greater than the number actually receiving them. Eligible households that do not receive assistance under these programs may have difficulty reestablishing their housing assistance status in the future, so it is particularly important that they be identified and offered DVP assistance. What steps are you taking to locate these households?

A.7. As of March 14, 2006, approximately 8,500 families were receiving DVP assistance. The predisaster HUD assistance for these families was primarily vouchers (6,450 families), public housing (1,200 families), and multifamily housing programs (600 families). Twenty of the DVP participants were homeless prior to the hurricanes. With respect to identifying families eligible for the DVP and offering DVP assistance, HUD has aggressively tried to locate these individuals through postcards, phone calls, and placing key HUD staff in various locations and Disaster Resource Centers. We are continually trying to update invalid addresses and phone numbers to ensure that we have the most current information on the affected families for further contact. We are also working with spe-

cific PHA's in the federally declared disaster areas to identify families that have returned home to their predisaster assisted housing. HUD' s response to question 1 of Senator Sarbanes provides a detailed analysis of the likely unmet demand for DVP assistance.

Q.8. In other disasters, the government has established a centralized mechanism for families to receive information and assistance regarding available safe rental units for voucher holders and for those with FEMA rental assistance. Evacuees have reported minimal mechanisms for receiving this type of information. Aside from HUD's toll-free number for families receiving HUD assistance, what other coordination is HUD undertaking to provide support for locating decent housing? How are displaced households tracked and informed of available options?

A.8. HUD has facilitated housing vacancy information and leasing assistance for the families eligible to participate in the KDHAP and the DVP through several actions. For example, eligible families advise a Referral Call Center (RCC) counselor where they wish to receive housing assistance. The RCC counselor calls the PHA in the area to which the family wants to move to inquire whether there are vacancies in the unit size the family needs. If suitable housing is not available, the RCC counselor asks the family to select an alternate location. After the family is referred to a KDHAP or DVP PHA, that PHA provides extensive housing search assistance and landlord outreach for the family.

HUD has also hired a contractor to conduct research and post a listing of housing vacancies. The contractor is working with apartment associations, owners, PHA's, HUD field offices and others to identify vacancies in the locations where the DVP families want to live. This vacancy information is posted on a website accessible to the RCC and PHA's for use in assisting families. Unfortunately, in the areas where many families want to live such as New Orleans and Baton Rouge, there are little to no rental housing vacancies. See also the response to question 6 of Senator Sarbanes.

In addition, the Office of Housing has been contacting owners of HUD-assisted housing throughout the country to identify vacant units that could house evacuees. We have and will continue to provide this listing to FEMA and other State and local agencies that are placing evacuees in housing units. We initially identified over 13,000 units in surrounding States and approximately 42,000 units nationwide.

The Department is also in the process of establishing a National Housing Locator that will assist in identifying vacant units and will provide this service to individuals/families looking for housing year around.

Immediately after Hurricane Katrina struck, the Department worked with PHA's throughout the country to identify vacant public housing units and available vouchers that could be utilized for evacuees. As you know, PHA's are also administering the KDHAP and DVP programs to provide temporary housing assistance for the HUD-assisted families immediately prior to Hurricanes Katrina and Rita.

The Department also placed several thousand families in single-family HUD-owned homes in the surrounding States. The Depart-

ment assisted in getting the necessary income waivers for the Low Income Housing Tax Credit projects so that evacuees were able to relocate into units in those projects.

In addition, HUD established a Disaster Recovery Assistance website, following the events of September 11, 2001, that provides information on how HUD can provide critical housing and community development resources to aid disaster recovery. (See Overview of HUD Assistance for Disaster Recovery at *www.hud.gov/disarelf.cfm.*) HUD's Disaster Recovery Teams are located in offices throughout the country and the HUD Regional Directors have the authority for coordinating HUD's disaster relief efforts.

In September 2005, HUD worked with other organizations to set up "one-stop" centers in major shelters across the Nation—from the Reunion Arena in Dallas to the DC Armory here in Washington. These centers allowed HUD officials to meet one-on-one with evacuees and determine how the Department could assist them in finding housing in their host city. In the first few weeks after Katrina hit, we placed nearly 10,000 families in subsidized units. To date, HUD employees in 20 cities across the country continue to serve evacuees. FEMA's Disaster Recovery Centers are readily accessible facilities or mobile offices where applicants may go for information about FEMA or other disaster assistance programs. DRC's played a significant role in helping victims understand temporary housing options and in the support of the overall housing mission. HUD worked with FEMA in the affected areas to ensure that either HUD staff or literature regarding HUD programs was available at both the Disaster Recovery Centers and Joint Field Offices.

Through our multifamily assisted housing owners, the Disaster Recovery Centers, the website mentioned above and the PHA's, residents are being advised of the options available to them regarding both temporary and permanent relocation.

Q.9. Many low-income renter households who met the eligibility criteria for housing subsidies did not receive such subsidies prior to Katrina. The hurricanes destroyed or damaged much of the relatively cheap rental stock. Rental units constructed post-Katrina (including tax credit units) are likely to have higher rents that would be unaffordable to many of these low-income households. Based on the Department's data on incomes in renter households prior to Katrina and on the Department's data for construction costs for standard quality units, what is your best estimate on the likely increase in the severity of affordability difficulties in rebuilt Katrina-affected areas? What are your recommendations on addressing these affordability issues?

A.9. *Significant damage to the housing of low-income renters.* As the tables below show, Hurricanes Katrina and Rita caused major or severe damage in Louisiana and Mississippi to over 265,000 housing units. Forty-four percent of the damaged housing units were occupied by households with incomes less than 50 percent of the area median income.[2] Of the over 88,000 unassisted rental

[2] The determination of very low-income is based on both household income and household size. For example, in the New Orleans Metropolitan Area, a family of 3 with an income less than $22,950 is considered very low-income (less than 50 percent of area median). A single person household would have to have an income less than $17,850 to be considered very low-income.

Continued

housing units to have major or severe damage, approximately 61 percent were occupied by households with incomes less than 50 percent of area median.

Low rents but also low-incomes. The 2004 American Community Survey shows that the median gross rent paid nationally was $694. In Louisiana, it was $540 and in Mississippi it was $529, more than 20 percent lower than the Nation. Incomes, however, were similarly low. The 2004 median income nationally was $44,684. In Louisiana, it was $35,110 and in Mississippi it was $31,642, also more than 20 percent lower than the Nation.

What this means is that although rents were low, similarly low-incomes left many households paying a high proportion of their income for rent prior to Katrina. Special tabulations of Census 2000 data found 47 and 44 percent of the very low-income households in Louisiana and Mississippi overcrowded or paying more than 50 percent of their income for rent. This rate of overcrowding and cost burden for very low-income households was somewhat lower than the national rate of 50 percent.

Low rents also means inadequate housing. Many households also had inadequate housing. One function of low rents is that houses are not maintained. The 2004 American Housing Survey for the metropolitan areas of New Orleans, for example, found that 20 percent of renter households with incomes less than 150 percent of poverty[3] had moderately or severely inadequate housing.

The comparable poverty threshold for a family of 3 is approximately $15,200 and for a single-person household, $9,800.

[3] One hundred fifty percent of poverty is roughly equivalent to 50 percent of median income in the New Orleans metropolitan area.

Summary for Major and Severe Housing Damage - Louisiana[4]

	Owner-Occupied Housing Units				Renter-Occupied Housing Units				
	Elderly		Non-Elderly		Assisted		Unassisted		
	Insured	Uninsured	Insured	Uninsured	Voucher	Project Based	Single-Family	Multifamily	TOTAL
Low Income	9,320	8,345	19,529	17,822	6,251	5,181	33,775	18,968	119,191
Less than 50% Median	5,851	6,378	9,518	11,699	5,846	4,866	26,423	13,974	84,555
50-80% Median	3,469	1,967	10,011	6,123	405	315	7,352	4,994	34,636
Above Low Income	4,680	1,628	37,593	9,779	117	110	6,138	3,832	63,877
No Income Data	2,177	1,513	6,756	3,462	482	520	4,366	2,612	21,888
Total	**16,177**	**11,486**	**63,878**	**31,063**	**6,850**	**5,811**	**44,279**	**25,412**	**204,956**

Source: HUD Analysis of FEMA Individual Assistance February 12, 2006 extract

Summary for Major and Severe Housing Damage - Mississippi

	Owner-Occupied Housing Units				Renter-Occupied Housing Units				
	Elderly		Non-Elderly		Assisted		Unassisted		
	Insured	Uninsured	Insured	Uninsured	Voucher	Project Based	Single-Family	Multifamily	TOTAL
Low Income	1,779	3,510	3,739	8,387	1,086	879	7,358	5,175	31,913

[4] The data for these tables are from self-reported income of registrants for FEMA Individual Assistance. When compared to Census 2000 data on number of low-income households, they appear to overstate the number of low-income households. Nonetheless, they are instructive as to the magnitude of the affordable housing need.

Less than 50% Median	1,018	2,364	1,795	4,957	996	806	4,729	3,259	19,924
50-80% Median	761	1,146	1,944	3,430	90	73	2,629	1,916	11,989
Above Low Income	1,520	1,425	8,918	8,157	23	25	2,940	1,726	24,734
No Income Data	329	495	1,018	1,234	65	89	929	615	4,774
Total	**3,628**	**5,430**	**13,675**	**17,778**	**1,174**	**993**	**11,227**	**7,516**	**61,421**

Source: HUD Analysis of FEMA Individual Assistance February 12, 2006 extract

An opportunity to build better. While the disaster has had a terrible impact on these communities and their residents, the rebuilt housing can and should be better built than the pre-Katrina housing it is replacing. It will be built to higher codes and it will be built to better survive future flooding. Data from the Small Business Administration on estimated costs to repair the seriously damaged properties provides an average repair cost of approximately $95,000. If mitigation expenses add an average of $20,000 per unit, the average cost per damaged unit is approximately $115,000. If all 88,000 unassisted pre-Katrina rental units that had serious damage were repaired or replaced, the cost is estimated at $10.1 billion.

Many of the sources of funds for this rebuilding are already in place. Insurance proceeds, FEMA mitigation funds, Small Business Administration low-interest loans, Low Income Housing Tax Credits, and Community Development Block Grant funds are already available to begin this rebuilding effort. The challenge ahead is to facilitate the efficient use of these resources to ensure that the rebuilt homes are reasonably affordable.

Predicting affordability needs post-Katrina. It is difficult to predict affordability post-Katrina. Constrained housing supply is likely to push the rents of unassisted housing units up in the short to medium-term. At the same time, constrained labor supply, due to the limited housing, is also likely to push up incomes for households willing and able to work. For employed households, this may result in a balance.

For households on a fixed income, however, any increase in rent will impact them very hard. While decisions on how to expend their Community Development Block Grant and Low Income Housing Tax Credit funds are at the discretion of the State, we will continue a dialogue with the States on what their plans are to develop affordable housing for their low-income elderly and disabled residents who wish to return.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR SARBANES FROM DONALD E. POWELL

Q.1.a. The Banking Committee has heard a great deal of testimony in prior hearings about the important role public transit plays in communities both as a provider of mobility and as a catalyst for economic growth. This testimony suggests that as the rebuilding of the Gulf Coast goes forward, those with a role in the process should make sure that adequate transit is included in the rebuilding plans. It does not matter which areas are rebuilt if they are inaccessible. As Coordinator of the rebuilding process, what are you doing to ensure that transit is being fully integrated into the recovery plans?

A.1.a. In order to leverage fully and effectively the expertise and resources of the Federal Government we have established a system of Working Groups through the Office of the Federal Coordinator for Gulf Coast Rebuilding (OFC). These Working Groups are staffed by policy and programmatic experts drawn from across the agencies and departments of the Federal Government and tasked against eight subject areas essential to Security, Community, and Economy. These eight groups are Environmental Management, Public Safety, Housing, Healthcare, Education, Critical Infrastruc-

ture, Community and Faith-Based Organizations, and Economic Development.

We have been working with the U.S. Department of Transportation (DOT) as a part of our Infrastructure Working Group. This Working Group has articulated the guiding principles that inform the Federal response in this area and its members are working closely with local leaders and decisionmakers to recognize the greatest challenges and highest priority needs of the affected region.

From the immediate aftermath of Hurricane Katrina, the Administration has utilized transit as a crucial part of the recovery and rebuilding effort. In coordination with DOT and the Federal Transit Administration (FTA), we have successfully helped to reinitiate transit service and helped to plan the future transit needs of the region.

FTA is administering a $47 million FEMA mission assignment for emergency transportation services in Baton Rouge and New Orleans which began on October 1, 2005, and extends through June 30, 2006. FTA is also administering a $19 million mission assignment with LADOT for rural transit services that was awarded on January 19, 2006, and runs through June 30, 2006. These mission assignments pay for passenger service, operations, and maintenance of the transit system. The Federal Aviation Administration is administering a mission assignment that provides commuter bus service between Baton Rouge and New Orleans.

In addition, FTA also implemented two FEMA mission assignments for Mississippi worth a total of $2.4 million for bus services. The assignments expired and the Mississippi Emergency Management Agency did not ask FEMA for an extension. As with Louisiana, these mission assignments paid for passenger service, operations, and maintenance of the transit system.

With the FTA providing technical support, the New Orleans Regional Transit Authority (NORTA) has restored limited service on 28 (54 percent) of the 52 pre-Katrina bus routes and a part of the streetcar lines within the City of New Orleans. NORTA is also operating in Baton Rouge to address the increased population's transit needs due to the population relocation from the hurricanes. Currently, NORTA carries approximately 17,000 daily riders to jobs and services in Baton Rouge and New Orleans, as well as supports New Orleans' reemerging tourist industry.

To assist the local authorities in expediting transit projects, DOT deferred NORTA's local match requirement for Federal transit funds for 5 years, allowing the agency to begin buying supplies, repairing buses and equipment, and rebuilding damaged streetcar lines using Federal transit money without having to first secure local matching funds. DOT took a similar action for Mississippi transit.

The FTA continues to work with the local authorities to develop financing and construction plans for the rebuilding of the local transit infrastructure. This includes the repair of the New Orleans streetcar system and the repair and replacement of transit buses.

The FTA also provides ongoing technical support to stakeholders in the region to develop short- and long-term transit plans for the Baton Rouge and New Orleans metropolitan areas and the Gulfport

Biloxi area. These discussions include the feasibility of commuter rail operations between Baton Rouge and New Orleans, streetcar extensions within the city of New Orleans, and growth and development patterns arising from the relocation of New Orleans residents after Hurricane Katrina. The FTA has invested $1 million so far in transit planning for these areas.

Q.1.b. Who are you working with from the transit sector in planning for the rebuilding of the affected areas?

A.1.b. FTA is working with the transit systems in the affected areas (NORTA in New Orleans and Coast Transit in the Biloxi/Gulfport area), the State transportation agencies for rural transit systems, and the metropolitan planning organizations for regional transportation issues. Additionally, FTA has brought in consultants to help support this work.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM DONALD E. POWELL

Q.1.a. Before redevelopment of a viable economy may take place in Katrina-affected areas on a large scale, a number of issues must be addressed, such as long-term levee strength, flood plain designations, debris clearance, job development, physical infrastructure improvement, housing, and social infrastructure enhancement (including educational institutions, libraries, etc.). What actions is the Gulf Coast Rebuilding Council taking to ensure the serious health and safety concerns are resolved?

A.1.a. In order to leverage fully and effectively the expertise and resources of the Federal Government we have established a system of Working Groups through the Office of the Federal Coordinator for Gulf Coast Rebuilding (OFC). These Working Groups are staffed by policy and programmatic experts drawn from across the agencies and departments of the Federal Government and tasked against eight subject areas essential to Security, Community, and Economy. These eight groups are Environmental Management, Public Safety, Housing, Healthcare, Education, Critical Infrastructure, Community and Faith-Based Organizations, and Economic Development.

As a part of our Environmental Management Working Group we have been working across the Federal Government and with State and local officials to address the health and safety concerns in the affected region. This Working Group's members are working closely with local leaders and decisionmakers to recognize the greatest challenges and highest priority needs of the affected region.

The U.S. Environmental Protection Agency (EPA) has been working extensively in the affected region since immediately after Katrina. To date, EPA has completed, for areas under FEMA Mission Assignments, over 50 percent of the household hazardous waste collection in Louisiana and over 75 percent household hazardous waste collection in Mississippi. Total obligations from FEMA Mission Assignments by the EPA to meet the health and safety concerns in the Gulf Coast region exceed $450 million.

The U.S. Department of Labor's (DOL) Occupational Safety and Health Administration (OSHA) has provided technical assistance at almost 16,000 worksites engaged in electrical work, repair of power

lines, tree trimming operations, roofing, debris removal, demolition, and other response activities, and has intervened directly to remove over 55,000 workers from serious hazards. Under the Worker Safety and Health Annex to the National Response Plan, OSHA is coordinating safety and health assistance to Federal Agencies responding to the hurricanes, including FEMA, U.S. Army Corps of Engineers, HHS, and EPA. OSHA has collected and reported on more than 7,500 personal samples of workers' potential exposure to hazardous materials during response and recovery operations. Through the Annex, OSHA is working with the National Institute of Environmental Health Science (NIEHS) to provide worker safety and health training to the Federal assets involved in the response. Together with the U.S. Department of Health and Human Services' Substance Abuse and Mental Health Administration, OSHA is coordinating psychological first aid for responders.

Q.1.b. Ensure the investment of private market actors, such as lenders and developers?

A.1.b. While OFC cannot ensure the investment of private market actors, we have been assisting the affected States as they formulate their plans for the economic development of the region. The role of the Federal Government in the return of previous employers to the Gulf Coast, and in the attraction of new industries and investment, is to rebuild stronger hurricane protection; assist in the renewal of housing stock; create strong incentives for the private market to participate in the renewal of the region wherever appropriate; and support the State in restoring basic services to its communities to attract new workers and returning residents. At the end of 2005, the President signed into law the Gulf Opportunity Zones Act (or GO Zones). This legislation, providing approximately $8 billion in tax relief over 5 years, will help revitalize the region's economy by encouraging businesses to create new jobs and restore old ones. Some of the principal provisions within the GO Zone include tax-exempt bond financing for both residential and nonresidential property, provision of 18 times the usual amount of low-income housing tax credits, bonus depreciation, and expensing for certain demolition and clean-up costs, just to name a few.

In addition, to assist the States in their efforts to rebuild and improve the economic framework the region, OFC has been actively engaged in promoting the economic development of the region. Chairman Powell has hosted several sessions with potential invest mentors in the region. An additional meeting to focusing on mortgage funding and investment in Louisiana is planned for March 2006. Examples of specific meetings include:

- Federal National Mortgage Association Meeting—January 3, 2006—To discuss housing and mortgage issues; and Fannie Mae's efforts in the region since Hurricane Katrina.
- Mississippi Lenders Meeting—February 17, 2006, Jackson, MS—To discuss the administration of the $4.5 billion Community Development Block Grant housing funds. Agenda items include: Grant Process, Application Process, and the Mortgage Holder Process and involvement. The MDA will present their plans and seek advice from attendees in preparation for rebuilding some 35,000+ houses in Mississippi. This meeting will include Gov-

ernor Haley Barbour and representatives from the Mississippi Development Authority, Fannie Mae, MS Community Business Center, Wells Fargo Home Mortgage, JPM Chase, Citigroup Mortgage, Washington Mutual, Greentree Servicing, Trustmark National Bank (Jackson), Peoples Bank of Biloxi, Hancock Bank (Gulfport), Bancorp South (Tupelo), American General Financial Services, and HUD.

- Numerous meetings and detailed conversations on related issues with other national lenders, including: Countrywide Funding of Los Angeles, JPM Chase, Citibank, and others.
- The OFC staff has met with contractors, developers, and community interest groups throughout the region, including: ACORN, Habitat for Humanity, National Low-Income Housing Coalition, Business Roundtable, KB Homes, Shaw Group, Bechtel, Portland Cement Association, International Union of Operating Engineers, Laborers' International Union of North America, Iron Workers Union, International Union of Painters and Allied Trades, U.S. Chamber of Commerce, U.S. Black Chamber of Commerce and others.
- Last, OFC is working with the U.S. Department of Commerce on the upcoming "Gulf Coast Business Investment Mission," May 4–5, 2006, to highlight investment opportunities in the Gulf Coast, including Federal GO Zone tax incentives as part of an effort to promote economic growth and job creation in the region following hurricanes Katrina and Rita. The tour will target businesses looking to make investments greater than $5 million in the region. Initial reaction has been positive. Several outreach/recruitment sessions are planned.

Q.1.c. Ensure employers return to the affected areas?

A.1.c. The role of the Federal Government in the return of previous employers to the Gulf Coast, and in the attraction of new industries and investment, is to rebuild stronger hurricane protection; assist in the renewal of housing stock; create strong incentives for the private market to participate in the renewal of the region wherever appropriate; and support the State in restoring basic services to its communities to attract new workers and returning residents. At the end of 2005, the President signed into law the Gulf Opportunity Zones Act (or GO Zones). This legislation, providing approximately $8 billion in tax relief over 5 years, will help revitalize the region's economy by encouraging businesses to create new jobs and restore old ones. Some of the principal provisions within the GO Zone include tax-exempt bond financing for both residential and nonresidential property, provision of 18 times the usual amount of low-income housing tax credits, bonus depreciation, and expensing for certain demolition and clean-up costs, just to name a few.

As previously mentioned, in order to leverage fully and effectively the expertise and resources of the Federal Government we have established a system of Working Groups through the Office of the Federal Coordinator for Gulf Coast Rebuilding (OFC). The Economic Development Working Group has articulated the guiding principles that inform the Federal response, taken inventory of existing Federal programs and funds available to the affected regions, and its members are working closely with local leaders and deci-

sionmakers to recognize the greatest challenges and highest priority needs of the affected region.

To help provide businesses with the skilled workers they need when returning to the affected areas, the Department of Labor's Employment and Training Administration (ETA) has provided a total of $12 million to the States of Texas, Alabama, and Louisiana to enhance their capacity to provide training in industries such as construction, energy, healthcare, transportation, and safety/security which are critical to the economic recovery in the Gulf region.

ETA has also provided an additional $10 million to the States of Louisiana and Mississippi through the Pathways to Construction Employment Initiative that will help provide employers with skilled workers in the residential, commercial, industrial, heavy highway construction sectors, as well as the heavy marine construction and shipbuilding sectors. As part of these Pathways to Construction grants, industry partners will conduct basic outreach in their local communities to increase employer awareness of these programs.

In addition, DOL has provided assistance to the directly affected Gulf States to (a) hire workers in temporary disaster relief employment in coordination with FEMA in the disaster area to assist in the clean-up, demolition, repair, renovation, and reconstruction of damaged and destroyed public sector structures, facilities, and lands within the disaster; (b) hire workers to work on projects that provide food, clothing, shelter, and other humanitarian assistance or other public sector jobs; and (c) train those workers who do not have jobs to return to in high demand occupations in order to provide a skilled workforce for jobs with the returning employers. The presence of a skilled workforce is an incentive for employers to return to the affected areas.

Using National Emergency Grants (NEG) under the Workforce Investment Act NEG Disaster Relief Employment Assistance Program and the Flexibility for Displaced Workers Act (P.L. 109–72), more than $191.1 million was provided to States directly impacted by the hurricanes including Alabama ($4 million), Louisiana ($62.1 million), Mississippi ($50 million), and Texas ($75 million) for temporary disaster relief jobs to assist in clean up activities and to train the affected workers in high-growth demand occupations in order to create a more skilled labor force. These funds are projected to assist approximately 63,000 individuals. In addition, DOL awarded $16 million to evacuee States to assist more than 20,000 evacuees by placing evacuees in temporary public sector employment, working on projects that provide humanitarian assistance to other evacuees, and providing training in high-demand occupations. Since the recovery efforts in the Gulf Coast region began, more than 48,200 individuals have been provided either temporary jobs or other workforce services under the National Emergency Grants, with almost 5,800 individuals currently enrolled in temporary jobs. As of the last week in March, over 3,800 hurricane affected workers were enrolled in training programs in 9 States, with another State set to launch a large retraining effort in the next few weeks.

Q.1.d. Ensure that housing will be sufficient for employees to return to the affected areas?

A.1.d. In the short-term, the Federal Government through FEMA is actively working to provide temporary housing relief to the affected regions:

- 89,379 mobile homes and travel trailers are occupied (as of March 10).
- 5,998 mobile homes and travel trailers are ready for occupancy but are vacant (as of March 10).
- $4.65 billion to 1,734,148 approved Individual Assistance applicants for temporary housing (includes rental assistance), expedited assistance, and personal property, including $5.38 billion in assistance to 1,054,732 approved applicants under the Individual Housing Program (IHP) for Katrina in all States (as of March 10).

For the longer-term rebuilding effort, a main principle that guides our Office is that rebuilding should not become an exercise in centralized planning. If Federal bureaucrats determine the path of rebuilding, local insight and initiative will be overrun and local needs overlooked. In that spirit, each affected State has brought together their best and brightest minds to create a plan that meets their respective needs. Louisiana has formed the Louisiana Recovery Authority and Mississippi has formed the Mississippi Development Authority to formulate both a policy and a strategy for moving forward. Each State organization has submitted a housing plan for public comment, and Mississippi has already received a "green light" approval from HUD indicating that their plan is heading in the right direction. Once both plans complete the public comment period the final plan will be resubmitted to HUD.

The $11.5 billion in Community Development Block Grant (CDBG) funds which Congress set aside as a part of the Defense Reallocation package in December 2005 is critical to the support of those plans. In Louisiana, as we build the hurricane protection system structurally stronger and better, we must also allow the State to rebuild their housing stock in a safer and smarter manner, protecting the lives and assets of their residents. In order to meet the unique flood vulnerability needs of Louisiana, the President has requested $4.2 billion in additional Community Development Block Grant funds for Louisiana, as a part of the recent Supplemental, to address its plans for future flood mitigation measures to protect residents, housing, and critical infrastructure.

Q.1.e. Ensure the improvement of physical infrastructure in the area?

A.1.e. For the immediate term recovery of physical infrastructure in the area, FEMA's Public Assistance Program has been working to meet the needs of the affected area.

Overview of FEMA's Public Assistance Program

FEMA's Public Assistance Program provides supplemental Federal disaster grant assistance for the repair, replacement, or restoration of disaster-damaged, publicly owned facilities and the facilities of certain Private Non-Profit (PNP) organizations. Eligible PNP facilities must be open to the public and perform essential services of a governmental nature. Eligible PNP facilities generally include the following:

- Medical facilities, such as hospitals, outpatient, and rehabilitation facilities.
- Custodial care facilities that provide institutional care for persons who require close supervision and some physical constraints in their daily activities.
- Educational facilities, such as primary and secondary schools, colleges, and universities.
- Emergency facilities, such as fire departments, rescue squads, and ambulance services.
- Public utilities, such as water, sewer, and electrical power systems.
- Museums, zoos, community centers, libraries, homeless shelters, senior citizen centers, shelter workshops, and facilities which provide health and safety services of a governmental nature.

Eligible Work

- To be eligible, the work must be required as the result of the disaster, be located within the designated disaster area, and be the legal responsibility of an eligible applicant. Eligible work is classified as either emergency work or permanent work. Permanent work is work to restore an eligible damaged facility to its predisaster design. Work ranges from minor repairs to replacement.
- Categories of permanent work include:
  - Roads, bridges and associated features, such as shoulders, ditches, culverts, lighting, and signs.
  - Water Control Facilities including drainage channels, pumping facilities, and the emergency repair of levees. Permanent repair of Flood Control Works is the responsibility of the U.S. Army Corps of Engineers and the Natural Resources Conservation Service.
  - Public buildings including their contents and systems.
  - Utility Distribution Systems, such as water treatment and delivery systems; power generation facilities and distribution lines; and sewage collection and treatment facilities.
  - Public Parks, Recreational Facilities, and Other Facilities, including playgrounds, swimming pools, and cemeteries.

Administration of Funding

FEMA Public Assistance is provided in the form of project grants which are awarded to the State. The State is responsible for distributing funds to subgrantees. FEMA is working with each of the impacted States and their local jurisdictions to identify and submit applications for public assistance projects.

Long-Term Rebuilding

OFC is focused on the long-term rebuilding of the region, including infrastructure. The States plan to leverage CDBG monies in addition to FEMA's Public Assistance Program to ensure a safer and smarter rebuilding of the infrastructure system. To date, $11.5 billion in CDBG funding has been allocated to the Gulf States, and there is another $4.2 billion which has been requested for Louisiana to address the unique future flood mitigation needs of that State. We look forward to working with the Department of Housing

and Urban Development and the affected region as they submit their plans for the use of CDBG funding for housing and infrastructure.

Q.1.f. Ensure the enhancement of social infrastructure in the area?

A.1.f. In our Office, we talk about the triangle of recovery: Safety, Community, and Economy. Safety is the foundation, the fundamental knowledge that a resident is physically secure from the dangers of future storms and floods; and Community and Economy on either side, the homes, schools, hospitals and clinics, emergency services, community organizations, and businesses that make up the critical underpinnings of a healthy and vibrant society. Several of our Working Groups including Healthcare, Education, and Community and Faith-Based Organizations are specifically focused on the revival of the social infrastructure of the region. Several of the components of the overall Federal response to the social needs of the area are outlined below:

Social Services

To respond to the human services and mental health needs of individuals affected by the hurricane, the U.S. Department of Health and Human Services (HHS) has awarded $550 million in Social Service Block Grants. The funding will also provide support to those lacking health insurance or adequate access to care, and to health care safety net providers. Funding was provided in varying amounts to all 50 States, with the majority going to Louisiana (40 percent), Mississippi (23 percent), Texas (16 percent), and Florida (10 percent).

Crisis Counseling

As part of an ongoing crisis counseling effort, FEMA has provided $29 million to 29 States for the Immediate Services Crisis Counseling Program. To date, Regular Services Crisis Counseling grants have been approved for 18 States totaling $23.3 million. The Crisis Counseling Programs hire and train people locally to provide outreach to survivors of the hurricanes who need mental health services. This outreach will include mobile services in which trained workers go to the places where disaster survivors are congregating, such as shelters, disaster recovery centers, or temporary hotels, and provide supportive contacts, educational materials, and brief counseling services.

Temporary Assistance for Needy Families (TANF)

Over 30,000 families are being helped through HHS's Administration on Children and Families (ACF) Temporary Assistance for Needy Families (TANF) program by the provision of short-term, nonrecurrent cash benefits to families who traveled to another State from the disaster designated States. The hurricane-damaged States of Mississippi, Louisiana, and Alabama also received additional funding for the TANF program to provide assistance and work opportunities to needy families ($69 million for loan forgiveness and $25 million in contingency funds for State Welfare Programs).

Health Care Delivery and Hospitals

On September 1, 2005, Secretary Michael Leavitt of the Department of Health and Human Services exercised his waiver authority under Section 1135 of the Social Security Act. Under this provision, the Secretary can waive or modify certain Medicare, Medicaid, or State Children's Health Insurance Program (SCHIP) requirements during certain emergencies to ensure that sufficient health care items and services are available to meet the needs of Medicare, Medicaid, and SCHIP beneficiaries and that health care providers that furnish such items and services in good faith may be reimbursed for them. On Wednesday August 31, 2005, Secretary Leavitt notified the Congress that he was invoking this authority, as a consequence of Hurricane Katrina, in order to protect the health and welfare of the public in areas impacted by this crisis.

To ensure that Medicaid and SCHIP beneficiaries would receive necessary services, the Centers for Medicare and Medicaid Services (CMS) took action under Section 1115 waiver authority to provide flexibility and to effectuate the Section 1135 waivers through demonstration programs. Specifically, on September 16, 2005, CMS released a State Medicaid Director's letter and a Multi-State Section 1115 Demonstration Application Template to provide Medicaid and SCHIP for evacuees of Hurricane Katrina. Under these demonstrations, eligible evacuees displaced from their homes were able to enroll to receive services under the Medicaid or SCHIP programs in the State where they are located.

The Deficit Reduction Act of 2005 (P.L. 109–171) (DRA) signed into law by President Bush on February 8, 2006 provided $2 billion for payments by the HHS Secretary to eligible States for health care needs of areas affected by Hurricane Katrina. Consistent with the authority in the DRA, on March 24, 2006, Secretary Leavitt released $1.5 billion to the 32 States with approved Katrina 1115 Demonstrations to help offset the medical costs of caring for evacuees. The 32 States with approved Katrina relief funds include: Texas, Alabama, Mississippi, Florida, Idaho, Arkansas, District of Columbia, Georgia, Tennessee, Puerto Rico, South Carolina, Indiana, Maryland, Louisiana, Nevada, California, Ohio, Rhode Island, North Carolina, Wyoming, Arizona, Massachusetts, North Dakota, Delaware, Pennsylvania, Oregon, Iowa, Virginia, Minnesota, Montana, Utah, and Wisconsin. The remaining balance of the funds ($500 million) from the DRA will be used to cover future costs for the States.

Within a week after Hurricane Katrina forced the closure of the U.S. Department of Veterans Affairs (VA) Medical Center in New Orleans, mobile health-care clinics from across the VA system were deployed to the surrounding communities of Hammond, LaPlace, and Slidell Louisiana. By December 2005, a floor of the VA nursing home adjacent to the New Orleans Medical Center was opened as a primary care clinic. Another floor is slated to open with limited specialty care in late March. The mobile clinics in the three surrounding communities are being replaced with permanent community-based outpatient clinics (CBOC's). Over 11,000 nonveterans received humanitarian care in VA clinics as a result of the quick deployment of CBOC's.

During the period of October 2005 through January 2006, new and existing outpatient clinics in New Orleans, LaPlace, Hammond, Slidell, and other locations in the New Orleans area have treated approximately two-thirds of the number of veteran patients treated during the same period last fiscal year, which exceeded expectations. The VA is accelerating construction at Biloxi to move all clinical and administrative functions from the Gulfport Site to the Biloxi Campus. They are also considering construction of a small CBOC on the Gulfport Campus as well as interim projects for modular buildings on the Biloxi Campus to meet space needs.

Education

Child Development and School Readiness (Head Start)

The Head Start program, which provides comprehensive child development and school-readiness programs for low-income children from birth to age 5, as well as pregnant women and their families, received $90 million to cover the costs of replacing or repairing facilities that were damaged or destroyed by Hurricanes Katrina or Rita that are not covered by insurance or FEMA. Another $15 million in funds also covered the costs of serving approximately 4,800 evacuee children from January 1, 2006, to the end of each grantee's current school year (that is late May or early June).

K–12

- Progress has been made on the 1,100 schools (public and private) that were closed following the storms, leaving 372,000 students initially unable to attend school.
- In Mississippi, 93 percent of schools have fully or partially reopened.
- In Louisiana, 79 percent of schools initially closed have reopened.
- In New Orleans, all 183 public and private schools in New Orleans were initially closed after the hurricanes.
- Now, 17 public schools (including 14 that now operate as charter schools) have reopened. About 14 percent of the pre-Katrina enrollment, or 8,303 students, are now attending public schools in the city.
- In the private sector, 37 of 54 schools operated by the Archdiocese of New Orleans have now reopened in the city and its environs.
- Total public and private enrollment in the city equals about 30 percent of the pre-hurricane level.
- The U.S. Department of Education (ED) obtained a $1.4 billion special appropriation from Congress to meet K–12 hurricane-related needs, including $750 million to help public and private schools along the Gulf Coast reopen, $645 million to reimburse public and private schools that enrolled students displaced by Katrina and Rita, and $5 million for the education of students made homeless by the storms.
- ED provided more than $20 million through a special charter school grant to Louisiana to assist in opening or reopening charter schools in order to serve children affected by the hurricanes. This has helped public schools in New Orleans expedite their reopening process by reopening as charter schools.

- ED launched a website, Hurricane Help for Schools *(www.hurricanehelpforschools.gov),* to serve as a nationwide clearinghouse resource for schools to post their needs so Americans can help meet them. To date, more than 650 matches between needs and contributions have been made through the site.

Higher Education

- Post-secondary institutions on the Gulf Coast are also recovering.
  - Twenty four of 30 institutions of higher education in Louisiana have now reopened.
  - This figure includes 10 of the 15 that were closed in New Orleans.
  - Two-thirds of post-secondary students in New Orleans have returned to class.
  - Both of Mississippi's closed post-secondary institutions have reopened.
  - ED received $200 million to help post-secondary institutions in Mississippi and Louisiana recover from the hurricanes to compensate colleges that took in displaced students. In addition, the Department has distributed $18 million of unused Federal campus-based student aid funds distributed to severely affected colleges.

Department of Labor

In October 2005, the Employment and Training Administration awarded $125 million to 70 community colleges competing for the President's Community-Based Job Training Grants. As part of the national response to Hurricane Katrina, the department gave preference to competitive applications from Gulf Coast and Southeast colleges whose programs will be critical to rebuilding the regional economy.

> Also, how would the failure to resolve these issues affect the timing of reconstruction? In particular, will the need to resolve such issues affect whether it will be possible for affected States to use their extra tax credit allocations in the time required to do so?

We are working within the Federal Government and with the affected States on addressing rebuilding issues in the most effective, appropriate, responsible, and timely manner possible. However, a rebuilding of this magnitude has to be measured in terms of years, not days. Should there be additional needs which are the result of the time needed to rebuild, or other issues, we will continue to work with the States on addressing those needs.

Q.2. The Administration's approach to recovery has stressed the role of State and local governments. CDBG allocations will be critical to the recovery process. To what extent will States make decisions about CDBG allocations and to what extent will localities make these decisions? How will the localities' plans be coordinated to avoid a fractured approach to regional rebuilding?

A.2. As previously stated, one of the main principles which guide our office is that rebuilding should not become an exercise in centralized planning. The affected Gulf Coast States share our view that recovery must be led by a locally driven community planning

process. The goal of all involved States is to empower local communities to develop strategies for their bold long-term community recovery plans and to ensure that they are coordinated into regional plans. Recovery planning starts from the local level and is coordinated into an overall State plan.

Q.3. Long-term levee strength can be expected to be a particularly important factor in determining the nature of long-term redevelopment, as you said in your statement. What differences would you anticipate in the nature of reconstruction and in population return if the levees are rebuilt to withstand a Category 3 hurricane versus being rebuilt to withstand a Category 5 hurricane?

A.3. The President has stated emphatically that public safety is the most critical part of long-term rebuilding in the area. People must feel that there is adequate commitment and planning for hurricane protection before they can make their decision to return—whether as a resident, a business owner, or both. The meteorological term "category" has many components, and is not technically applicable to the engineering design of levees or other hurricane protection elements. Our goal is to ensure a safer hurricane protection system, which will protect the city and the region from any future catastrophic disaster.

To accomplish this goal, the President responded quickly by asking Congress to authorize his $3.1 billion commitment to make the hurricane protection system that surrounds the New Orleans area structurally stronger and better. In his recent supplemental request to Congress, the President has included a request for $1.46 billion for the addition of flood gates and pumping stations to interior canals, selective armoring of levees, the initiation of wetlands restoration projects, and additional storm-proof pumping stations. I have personally visited the levees with General Strock and I also receive regular updates from the Army Corps on their progress.

The structural restoration progress of the Army Corps of Engineers is impressive to date. All contracts for restoration work have been awarded and the work is 45 percent complete. Approximately 100 miles of levees have been repaired/completed and the Army Corps of Engineers is on track to meet the Administration's commitment of repairing the damaged levees to pre-Katrina levels by June 1. This work, including the improvements included in the supplemental and an on-going study about the long-term goals of levee construction, will make the levee system structurally stronger than it was before the storm.

Q.4. Many households in hurricane-affected areas were poor. Even if these properties were insured, the owners may lack the necessary resources to rebuild should they desire to do so. How many low-income and very low-income people sustained severe damage to their homes? For these people, how many had insurance? Do you or any other Federal, State, or local agencies have plans to provide such households with financial assistance for repair or rebuilding? If so, what are these plans?

A.4. Using self-reported data from FEMA registrants, we have categorized the impacted households by income. A high number of low-income households were impacted by the disaster. The table below provides a summary by the categories you requested. Among

owner-occupants with major or severe damage, approximately 54,745 are very low-income, 60 percent of whom are uninsured. An additional 34,666 homeowners were between 50 and 80 percent of median income and 44 percent of those were uninsured. Approximately 66,422 of the *renters* whose homes were seriously damaged were very low-income.

Housing Units with Major/Severe Damage by Income and Tenure

	Owner-Occupied Housing Units			Renter-Occupied Housing Units			
	Insured	Uninsured	Subtotal	Assisted	Unassisted	Subtotal	TOTAL
Very Low-Income (less than 50% median)	22,175	32,570	54,745	12,736	53,686	66,422	121,167
Low Income (50-80% median)	19,395	15,271	34,666	900	18,711	19,611	54,277
Above Low Income	61,146	23,563	84,709	282	16,099	16,381	101,090
No Income Data	11,387	7,338	18,725	1,164	8,949	10,113	28,838
Total	**114,103**	**78,742**	**192,845**	**15,082**	**97,445**	**112,527**	**305,372**

It is important to note, however, that comparing these data to Census 2000 data suggests the income reported to FEMA by registrants may understate the true total household income of FEMA registrants prior to the hurricanes.

As previously stated, one of the main principles which guide our office is that plans for rebuilding should be created by the local people in the affected States, not in Washington, DC. Louisiana has formed the Louisiana Recovery Authority and Mississippi has formed the Mississippi Development Authority to formulate both a policy and a strategy for moving forward. Each State organization has submitted a housing plan for public comment, and Mississippi has already received a "green light" approval indicating comfort from HUD that their plan is heading in the right direction. Both of these plans provide compensation to address the housing needs of homeowners of every income level in the affected region.

The Louisiana Recovery Authority (LRA) is creating a plan for reviving the city's rental market to provide needed homes using Federal Community Development Block Grant funding. LRA officials have also indicated they plan to use $1.75 billion from expected Federal community development block grants to help landlords renovate or rebuild properties damaged by hurricanes Katrina and Rita, with a mix of low-interest loans and low-income housing tax credits likely to be used. We expect plans for other States to address these needs are forthcoming.

Q.5. What are your current plans for assisting households who were living in a 100-year floodplain but did not have flood insurance? What are the policy justifications for these plans?

A.5. Any decision to assist such households would be a State determination, based on State policy justifications. As previously stated, one of the main principles that guide our office is that plans for rebuilding should be created by the local people in the affected

States, not in Washington, DC. Each State organization has submitted a housing plan for public comment, and Mississippi has already received a "green light" approval indicating comfort from HUD that their plan is heading in the right direction.

Q.6. To date, what steps have been taken to ensure that persons with disabilities and seniors, as well as disability and senior advocacy communities, are represented on State and local planning and rebuilding commissions, as well as in the development of consolidated plans?

A.6. As previously stated, one of the main principles which guide our office is that rebuilding plans should be created by the local residents of the Gulf Coast. The affected States have reached out to all communities, including seniors and people with disabilities, for participation on rebuilding commissions and for input in construction of State plans.

Q.7. The Urban Institute has stated, "With the city's plans for long-term housing construction still up in the air and no agency helping evacuees find jobs that will provide steady incomes, 18 months of housing assistance may not be enough for many families." What planning has occurred (either by your office, by other Federal agencies, or by local and State agencies) to address the issues expressed in the Urban Institute's statement?

A.7. We are working with closely with State and local leaders to support them in developing comprehensive solutions to the most critical issues facing the recovery of the Gulf Coast, including housing, job training and economic development. We are also working within the Federal Government on addressing rebuilding issues in the most effective, appropriate, responsible, and timely manner possible. We recognize the complex and challenging situation that the devastation of housing stock has created in the affected region, and we continue to work with the States on addressing any additional needs.

Department of Labor

The Department of Labor has provided National Emergency Grants (NEG) under the Workforce Investment Act NEG Disaster Relief Employment Assistance Program and the Flexibility for Displaced Workers Act (P.L. 109–72). More than $191.1 million was provided to States directly impacted by the hurricanes including Alabama ($4 million), Louisiana ($62.1 million), Mississippi ($50 million), and Texas ($75 million) for temporary disaster relief jobs to assist in clean up activities and to train the affected workers in high-growth demand occupations in order to create a more skilled labor force. These funds are projected to assist approximately 63,000 individuals. In addition, DOL awarded $16 million to evacuee states to assist more than 20,000 evacuees by placing evacuees in temporary public sector employment, working on projects that provide humanitarian assistance to other evacuees, and providing training in high-demand occupations. Since the recovery efforts in the Gulf Coast region began, more than 48,200 individuals have been provided either temporary jobs or other workforce services under the National Emergency Grants, with almost 5,800 individuals currently enrolled in temporary jobs. As of the last week in

March, over 3,800 hurricane affected workers were enrolled in training programs in 9 States, with another State set to launch a large retraining effort in the next few weeks.

To help provide workers training in skills required by employers returning to the hurricane impacted areas, the Department of Labor's Employment and Training Administration has provided a total of $12 million to the States of Texas, Alabama, and Louisiana to enhance their capacity to provide training in industries such as construction, energy, healthcare, transportation, and safety/security which are critical to the economic recovery in the Gulf region. The majority of funds will be focused on actual training for hurricane impacted individuals. The training is designed to be short-term and flexible, and to link to opportunities for additional training and/or career pathways in these critical industries.

ETA has also provided an additional $10 million to the States of Louisiana and Mississippi through the Pathways to Construction Employment Initiative that will help provide employers with skilled workers in the residential, commercial, industrial, heavy highway construction sectors, as well as the heavy marine construction and shipbuilding sectors. In each State, the Pathways to Construction Employment Initiative will have four primary components: establishment of Reconstruction Centers of Excellence, career awareness and outreach activities, assessment and access to basic skills training, and pathways to employment. These funds are in addition to the formula funds awarded to States annually to provide employment-related services for adults, dislocated workers, and youth under the Workforce Investment Act (WIA).

Additionally, in the State of Mississippi, ETA has expanded a partnership with Manpower, Inc., to help Mississippi workers displaced by Hurricane Katrina find new jobs. The initiative will leverage the resources and reach of One-Stop Career Centers and Manpower, Inc. to deliver employment and training services that meet evacuees' long-term career needs.

Q.8. In a *Washington Post* editorial, you stated that low-income tax credits would assist the reconstruction of multifamily housing. However, these tax credits promise to help rebuild less than 15 percent of the affordable housing units that Katrina and Rita destroyed and they will presumably take years to implement. How will you address the housing needs of renters after FEMA's 18-month assistance has ended? How will you address the housing needs of renters in the long-term?

A.8. As previously stated, one of the main principles which guide our office is that plans for rebuilding should be created by the local people in the affected States, not in Washington, DC. The Louisiana Recovery Authority (LRA) is creating a plan for reviving the city's rental market to provide needed homes. LRA officials have also indicated they plan to use $1.75 billion from expected Federal Community Development Block Grants to help landlords renovate or rebuild properties damaged by hurricanes Katrina and Rita, with a mix of low-interest loans and low-income housing tax credits likely to be used. We expect plans for other States to address these needs are forthcoming.

To assist State and local officials as they implement plans to address the needs of residents, HUD and the U.S. Department of Agriculture have taken the following actions:

- 15,000 HUD-assisted or homeless families are receiving up to 18 months of housing assistance through the Katrina Disaster Housing Assistance Program (KDHAP), administered by the HUD and the U.S. Department of Homeland Security (DHS).
- More than 6,000 single-family homes within a 500-mile radius of the declared disaster areas have been identified and HUD has either repaired these homes or is currently in the process of repairing them; more than 1,000 families have been able to move back in, with another 800 in process. Once repaired, the remainder of these homes will be offered to evacuees either as temporary housing or for purchase through a discounted sale program.
- HUD has placed a moratorium on foreclosures of FHA-insured homes until June 30, 2006. The extended foreclosure relief will provide mortgagees additional time to confirm the mortgagee's intention and ability to repair the home, help them resume regular mortgage payments and retain their homeownership.
- HUD's Mortgage Assistance Initiative is assisting homeowners with FHA-insured mortgages who are unable to maintain their payment obligations due to hurricane-related property damage by advancing their mortgage payments for up to 12 months. This unprecedented mortgage relief is expected to help several thousand families remain homeowners while concentrating on repairing their homes, finding jobs, and putting the pieces of their lives back together.
- HUD's Section 203(k) loan program is enabling homebuyers and homeowners with damaged or destroyed homes to finance, through a single mortgage, both the purchase and/or refinancing of their house and the cost of its rehabilitation. It also allows homeowners with damage to finance the rehabilitation of their existing single-family home. This program encourages lenders to make mortgages available to residents of disadvantaged neighborhoods and to borrowers who would not otherwise qualify for conventional loans on affordable terms.
- HUD's special mortgage insurance program, designed to assist disaster victims (under Section 203(h) of the National Housing Act), is allowing 100 percent financing for individuals or families whose residences were destroyed or damaged to such an extent that reconstruction or replacement is necessary.
- HUD has been issuing a series of waivers to streamline existing grant programs so grantees can reprogram existing HUD funds for disaster relief. The City of Houston, which received thousands of evacuees from New Orleans, was the first to ask for a waiver of CDBG's 15 percent cap on public services. This request was granted for the states in the Gulf region, providing communities more flexibility to help their citizens.
- HUD launched the Universities Rebuilding America Partnership (URAP) program in an effort to empower college and university students to utilize their talents to help rebuild the impacted communities. In partnership with the Corporation for National and Community Service, HUD announced these two grant programs totaling $5 million.

- In order to ensure access to affordable housing free from discrimination, HUD's Office of Fair Housing and Equal Opportunity deployed staff to assist evacuees reporting housing discrimination.
- As previously discussed, HUD will administer $11.5 billion in supplemental funding for the disaster areas through HUD's Community Development Block Grant (CDBG) program. In addition, the President has asked for another $4.2 billion in CDBG funds for Louisiana's unique mitigation needs.
- USDA is assisting rural families with funds to rebuild and repair their damaged homes. Approximately $20 million is being made available for grants, $210 million for direct loans, and $1.3 billion for guaranteed loans.

Q.9. Much of the attention on housing recovery has focused on homeowners. However, a high percentage of rental units also sustained serious damage and renter households have less influence over the process that leads to unit repair and replacement. How do you expect the timeline for rental housing recovery to compare to that for owner recovery? How do you expect the timeline for affordable housing recovery to compare to that for other rental housing? What mechanisms will be put in place to track rental households and inform them of their options as repair and rebuilding of rental units proceeds? Will there be a means by which displaced renter households can provide input into the redevelopment of their units and communities?

A.9. As previously stated, one of the main principles which guide our office is that rebuilding plans should come from the local people in the affected areas of the Gulf Coast. The Louisiana Recovery Authority (LRA) is creating a plan for reviving the city's rental market to provide needed homes. LRA has also indicated they plan to use $1.75 billion from expected Federal Community Development Block Grants to help landlords renovate or rebuild properties damaged by hurricanes Katrina and Rita, with a mix of low-interest loans and low-income housing tax credits likely to be used. We expect plans allowing other States to address these needs are forthcoming.

Q.10. Financial institutions and the Mortgage Bankers Association have recommended financial counseling for the evacuated families. Does the Administration plan on providing financial counseling to those Katrina and Rita affected?

A.10. The Administration is actively engaged in an effort to provide financial counseling to those in the affected region. Several of these initiatives are described below:

IRS

As a part of these efforts, the Internal Revenue Service recently announced an agreement with two tax professional associations to assist taxpayers impacted by Hurricanes Katrina, Rita, and Wilma. Volunteers at IRS' Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites are now able to refer hurricane-affected taxpayers needing help with relatively complex tax issues to participating members of the American Institute of Certified Public Accountants (AICPA) or the American Association

of Attorney-Certified Public Accountants (AAA–CPA) for free return preparation assistance.

SBA

Louisiana

SCORE, Small Business Development Center (SBDC), and SBA District Office personnel have been very active in the financial counseling area. The SBA District has conducted financial workshops in the cities of Kenner (New Orleans airport area) and New Orleans' civic center with over 500 attendees. In the cities of Baton Rouge and Lafayette, the SBA has conducted lending workshops in partnership with the Louisiana Economic Development Department. The SBA has also conducted "Back-To-Business" workshops in Lake Charles and Alexandria and a faith-based business workshop in the city of Hammond. SBA Government Contracting programs include financial components to each of its training programs. This has included one-on-one counseling to 100 businesses and contractors and a seminar in New Orleans with approximately 500 small businesses in attendance.

SBDC's have provided one-on-one counseling to 649 individuals and have conducted 64 training events with over 1,424 attendees.

SBA is a founding partner of the Urban Entrepreneur Partnership (UEP), which will be providing the full spectrum of training and counseling services to all 8(a) companies located in the affected areas of the Gulf. The Partnership was announced by President Bush at the July 2004 National Urban League annual conference in Detroit, Michigan and launched at the National Press Club in October 2004. The UEP is a partnership between the White House through the Small Business Administration and Minority Business Development Agency, the National Urban League, the Ewing Marion Kauffman Foundation, and the Business Roundtable. The UEP combines private and public sector resources to foster minority entrepreneurship, business development, and job creation in historically neglected and economically underserved urban areas nationwide.

Mississippi

Soon after Katrina hit on August 29, counseling was provided throughout Mississippi to disaster (business) victims by the Mississippi Network of Small Business Development Centers at shelters and in bank branch offices offered by SBA lender Hancock Bank, who provided office space to help disaster victims with loan applications. The bank branch offices were set up as Business Assistance Centers and they opened in early September and closed in early December.

Alabama

The SBA conducted a week long financial counseling seminar in Mobile in November right after the storm as part of its business disaster assistance event with the Mobile Chamber of Commerce. Also, the SBA conducted a 2-day seminar in Birmingham in early December, where financial counseling was part of the program. The SBA had a 2-day event in Huntsville, sponsored by the Huntsville

Times, Huntsville Chamber, TVA, and NEAR. Commercial Financial counseling, run by SBA resource partners was part of the program as well.

The SBA has small business lending clinic, where financial counseling will be available March 16 in Mobile. There will be financial counseling seminars at the Mitchell College of Business, in Mobile May 9, July 11, September 12, and November 11.

In the Birmingham SBA District office, financial counseling clinics are held the second Tuesday of each month.

By request any business in the disaster affected region can request one-on-one counseling from the Baldwin County SCORE, Mobile City SCORE, South Alabama Women's Business Center, and USA SBDC. The Women's Business Center conducts business accounting and capital management counseling every month in partnership with the Business Innovation Center in Mobile (the city business Incubator).

The SBA has not done any personal financial counseling to any individuals in Alabama unless they are small business owners.

Houston, Texas

The Houston District Office and members of the Houston Association of Government Guaranty Lenders (HAGGL) provided business consulting as active participants in two Katrina Business Owners Resource Fairs held in September, the City of Houston Mayor's Disaster Relief Job Fair held at the George R. Brown Convention Center in October, and two events for the Southeast Texas Hurricane Recovery Conference held in Groves and Sabine Pass in February. The Houston SBA District Office has also provided business consulting while participating in contracting opportunity conferences with Exxon-Mobil and the SBA NASA/JSC-based procurement center representative, and Katrina/Rita recovery job fairs held by the University of Houston-Small Business Development Center and Houston Community College. In addition, members of HAGGL participated in disaster recovery meetings held by Lamar State College-Orange in October. The Houston SBA District Office has incorporated disaster recovery consulting into its ongoing 8(a) business matchmaking and 7(a) guaranty lending events. The SBA also provided disaster recovery information to HAGGL members in addition to continuous encouragement for them to promote the Gulf Opportunity pilot loan program. In addition, the City of Houston Mayor's Katrina/Rita Working Group meeting is to be Monday morning, March 20.

DOL

The Employment and Training Administration funded the Hurricane Reintegration Counselor Initiative, which currently is funding 155 highly trained social worker/counselors in the Nation's One-Stop Career Center delivery system. The counselors provide intensive career counseling directly to Hurricane evacuees in One-Stop Career Centers, evacuee centers, or other facilities with high concentrations of evacuees.

Evacuees in need of financial services are referred to resources available within the community. These services could be those funded through FDIC or the Internal Revenue Service, which have

on-going training opportunities through the One-Stop Career Center system.

Twelve States (Arkansas, Alabama, Florida, Georgia, Kentucky, Louisiana, Missouri, Mississippi, Oklahoma, Tennessee, Texas, and Virginia) were selected to participate in the Initiative due to their concentration of individuals displaced by the hurricanes.

In addition, on the Hurricane Recovery Website, *www.servicelocator.org/hurricaneservices,* counselors are provided with resources related to personal financial management. This tool contains an array of information to assist evacuees with their financial needs.

A fact sheet is also available at *http://www.dol.gov/opa/hurricane-fs2.htm.*

In addition, the Department of Labor has also provided National Emergency Grants (NEG) under the Workforce Investment Act NEG Disaster Relief Employment Assistance Program and the Flexibility for Displaced Workers Act (P.L. 109–72). More than $191.1 million was provided to States directly impacted by the hurricanes including Alabama ($4 million), Louisiana ($62.1 million), Mississippi ($50 million), and Texas ($75 million) for temporary disaster relief jobs to assist in clean up activities and to train the affected workers in high-demand occupations in order to create a more skilled labor force. These funds are projected to assist approximately 63,000 individuals. In addition, DOL awarded $16 million to evacuee States to assist more than 20,000 evacuees by placing evacuees in temporary public sector employment, working on projects that provide humanitarian assistance to other evacuees, and providing training in high-growth demand occupations. Since the recovery efforts in the Gulf Coast region began, more than 48,200 individuals have been provided either temporary jobs or other workforce services under the National Emergency Grants, with almost 5,800 individuals currently enrolled in temporary jobs. As of the last week in March, over 3,800 hurricane-affected workers were enrolled in training programs in 9 States, with another State set to launch a large retraining effort in the next few weeks.

FEMA/HOPE Coalition America

In coordination with the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA), Project Restore HOPE is offering free financial counseling and resources, economic assistance and budgeting advice to hurricane victims. These services are being delivered through one-on-one counseling in disaster-affected communities, at FEMA Disaster Recovery Centers, online and by phone from new call centers in Poway, California, and Dallas, Texas. The initiative, created by HOPE's economic emergency response division HOPE Coalition America (HCA—a partner of FEMA), provides disaster survivors with free financial counseling and advice through one-on-one counsel, financial help lines and online case management, facilitating their return to normalcy. Volunteers include professionals from the banking and financial services, insurance, and other industries.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR REED FROM MARTIN J. GRUENBERG

Q.1. Foreclosures in the hurricane-affected areas significantly increased in the third quarter of 2005. What is the likely scale of foreclosure over the next 2 years and how will large scale foreclosure affect rebuilding efforts?

A.1. It is difficult to estimate the likely scale of foreclosures over the next 2 years and the impact of foreclosures on rebuilding efforts. While foreclosures have risen in the hurricane-affected States, we do not have specific information from the affected areas showing a clear relation between the rise in third quarter 2005 foreclosure rates and the hurricane. Some of the increase may actually relate to the recent change in the bankruptcy laws. Our previous experience with natural disasters suggests that bankruptcy filings in the affected areas did not significantly rise until 2 to 3 years after the disaster. In addition, insured institutions have been actively working with their customers by deferring loan payments, extending repayment terms, and restructuring existing loans, where appropriate. The Federal banking agencies will continue to encourage financial institutions to work with borrowers affected by the hurricanes. Area rebuilding efforts will most likely be impacted by general business conditions, Federal Government assistance, the availability of jobs, potential changes in building codes, and any environmental problems that need to be resolved.

Q.2. Financial institutions and the Mortgage Bankers Association have recommended financial counseling for the evacuated families. What is the most effective means for providing such counseling to Katrina- and Rita-affected areas?

A.2. Effective means for providing financial counseling include one-on-one financial counseling and family based counseling. Personal interaction is often the most effective way to convey information and bring about a change in behavior. The FDIC is currently partnering with community organizations, such as Neighborhood Housing Services, Neighborhood Development Foundation, Southern Mutual Self Help Association, New Hope Community Development Corporation, and other community groups and financial institutions to deliver Money Smart [1] and related group instruction, as well as individual counseling assistance, to consumers in areas damaged by Hurricane Katrina and the areas to which evacuees were relocated. Through these collaborations partnership staff members provide financial counseling, guidance, and assistance in local offices throughout the Gulf Coast States, in disaster recovery centers, and by phone to those affected by the storms.

Q.3. In the best case scenario, what percentage of small financial institutions do you expect to go out of business because of the hurricanes? What percentage do you expect in the worst-case scenario? How would each scenario affect rebuilding efforts and the Gulf economy?

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[1] In 2001, the FDIC created Money Smart, a training program to help adults outside the financial mainstream enhance their money skills and create positive banking relationships. The Money Smart curriculum helps individuals build financial knowledge, develop financial confidence, and use banking services effectively.

A.3. It is very difficult to make any kind of predictions about the future prospects of financial institutions affected by the hurricanes because of the large number of variables involved in rebuilding and revitalizing the communities they serve. As stated in my written testimony, over the medium-term horizon, the greatest source of uncertainty and concern is the effect of the hurricanes on credit quality. Over the long-term horizon, the prospects for these financial institutions will be determined largely by the economic prospects of the communities they serve. The headquarters of 120 institutions are in the designated disaster counties and parishes. Through the supervisory efforts of Federal and State regulatory agencies, we have narrowed our focus from the initial group of 120 institutions to a small group of institutions, which we will continue to monitor more closely. The FDIC is committed to doing everything possible to assist these institutions to meet the challenges ahead and contribute to the recovery of the Gulf Coast region.