

## What it means to be Low and Moderate income families in declared disaster zones in the USA and Territories.



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More specifically, what does it mean to rebuild with next to nothing leaving you dependent on federal and state agencies that seem not to understand the urgency of the matter.

Louisiana has on record 24 flood events that were declared federal disasters dating back to 1953 DR-3 to the most recent 2016 DR-4277.

Each of these declared disasters had groups of people with very good intentions leading the recovery path. With all good intentions as people typically have at times we drift off the path and need the public comment time to remind our elected officials, our state employees and our task force members what it is like to be off the recovery path and how frustrating it is to the victims of the disasters knowing what needs to be done, watching as things seem to move at a snails pace we notice things that seem to be illogical or could it be we simply do not understand the logic behind a procedure or a process. That often leads to the public being ignorant to what the state and local governments are truly doing for us and their attempts to help us recover successfully from our last disaster.

We as a public understand that HUD CDBG-DR funds are for many of us our last resort also our last federal rescue path. We understand that if we do not qualify for HUD grants distributed via the states OCD-DRU office acting under the name Restore LA or ReLa we may go for many years even decades reliving the flood due to our primary residents not being repaired to pre-flood condition or at least 100% square footage livable condition.

We don't all ask for marble counter tops. Some of us would just like to have a floor or a window that operates in case we actually need to open the window to escape or let in the afternoon breeze.

Our homeowners here today may be missing inside doors still, while others are still missing their exterior doors.

Some have full kitchens back up and working while others are still using their burners outside and spending

most of their cooking time in front of a microwave sitting on top of may have been once a working stove and oven.

It's going on 2 years since the flood, we've all for the most part gutted and cleaned out our homes. We've been through the FEMA to SBA to FEMA circle of disaster recovery life and we are now in front of the Louisiana Restore Task Force asking not for a favor but for equal opportunity for those of us that have no other options on the plate. We need that lending hand Louisiana talk about and we need it in the form of a Community Development Block Grant from HUD to assist us in our rebuilding phase after the 2016 historical flooding in the great state of Louisiana.

We would like to remind everyone that is working for us from our case workers to our task force members that we appreciate you and all your efforts.

It is our privilege to call you all Louisianan Neighbors.

As neighbors we want to be able to communicate with you our feelings, ideas, plans, goals and successes.

We know HUD has 3 main directives that are in nearly every allocation document distributed to disaster zones.

### **FLOOD IMPACT ON LOW AND MODERATE INCOME POPULATIONS**

All projects supported by HUD Community Development Block Grant (CDBG) and distributed by the states Office of Community Development assistance must meet one of the program's three National Objectives:

- (1) benefiting low and moderate income (LMI) persons,**
- (2) aiding in the prevention or elimination of slums or blight, or**
- (3) meeting a need having particular urgency (urgent need).**

Low to moderate income households are defined as households that do not exceed 80 percent of the area median income (AMI) for their area, as determined by HUD. These income categories are grouped into the following classifications:

- **Very low income** has an annual income at **30 percent or below** the area median income
- **Low income** has an annual income at **31 percent to 50 percent** of the area median income and
- **Moderate income** has an annual income at **51 percent to 80 percent** of the area median income.

The National Objective definitions and corresponding language are set by HUD regulation. The term "Low and Moderate Income" is defined in the Housing and Community Development Act of 1974 as: The terms "persons of low and moderate income" and "low and moderate income persons" mean families and individuals whose incomes do not exceed 80 percent of the median income of the area involved, as determined by the Secretary with adjustments for smaller and larger families. The term "persons of low income" means families and individuals whose incomes do not exceed 50 percent of the median income of the area involved, as determined by the Secretary with adjustments for smaller and larger families. The term "persons of moderate income" means families and individuals whose incomes exceed 50 percent, but do not exceed 80 percent, of the median income of the area involved, as determined by the Secretary with adjustments for smaller and larger families.

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Today I bring before the Louisiana Task Force members homeowners that match HUD's National Objective One (1).

We have here today one homeowner that is Very low income, one Low income and one homeowner that is of

moderate income.

By looking at our three homeowners you may not be able to identify who is at what income level but I can assure you that our homeowners represent everything that is HUD and National Objective One (1).

Each one of our homeowners has either exhausted all their available funds and cash reserves such as retirement and savings.

Some have not started repairs knowing their coffers are depleted from the state.

Out of our three homeowners one is at risk of not being able to repair the home and has discussed simply abandoning the home. This is our HUD National Objective Two (2), HUD attempts to prevent blight and eliminate slums. The homeowner that is at most risk of blight is in a newly declared federal opportunity zone where the income inequality, poverty levels are nearly the highest in the state.

Without HUD effectively assisting with the flood damage repairs this homeowner may have to choose simply to board up windows and move.

Each of our homeowners have a particular urgency or urgent need which is HUD National Objective Three (3).

We need to meet the needs of these people at risk of blight and that are low to moderate income households. The urgent need is to break the cycle of taking 4.1 years to distribute to homeowners the funding needed to rebuild.

The urgent need is to also break the cycle of misunderstanding and misinterpreting the 3 main HUD National Objectives and HUD Guidance as well as Federal Laws and Rules.

Today I shared with you much information about 3 homeowners and 3 victims of the 2016 floods.

Each of them match one or more of HUD's main National Objectives.

Each of them needs the financial support that the CDBG-DR program is designed to do.

The homeowners today are also being penalized by the States Office of Community Developments - Disaster Recovery Units policy on being denied HUD grants based on SBA Loan approval.

Each of our homeowners, One Extremely Low Income, one Low Income and One Moderate Income have all been denied Restore LA (ReLa) grant funds based on their SBA Loan approval amount.

Each of our homeowners here today have declined the SBA Loan and have not taken a single dollar from the SBA loan program and still today would refuse to take the SBA Loan even if offered.

Our Low and Extremely low income households would be risking their homes, their home would be collateral to a loan that over the long term would be nearly impossible to repay.

Each of our Extremely Low and Low income households also owns their homes without a lien and do not plan on placing a lien on a home they have paid off.

Our Moderate Income household had a mortgage which the bank forced the payoff of the mortgage when they received notice that the home was substantially damaged and needed to be demolished and rebuilt.

Our moderate income household had flood insurance which more than 33% was then used to pay off the mortgage leaving enough to only partially repair the home but not enough to become compliant as per FEMA and State rules for substantially damaged homes.

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When the March and August floods hit Louisiana \$1.31 Billion was awarded by HUD to the state of Louisiana with the above clearly stated in the allocation of funds.

[Allocations, Common Application, Waivers, and Alternative Requirements for Community Development Block Grant Disaster Recovery Grantees](#)

It is very clear why low income households after a disaster receive HUD grants, without them, the homeowners would never fully if at all rebuild after a disaster if their home was impacted as required to

receive HUD disaster relief grants.

What HUD doesn't know is how the states report to them is often times not 100% the truth.

Let's take the Great State of Louisiana and 3 homeowners that are Moderate income to extremely low income and all have been denied HUD disaster recovery grants and each home had more than \$60,000 in damage repair estimates.

What HUD is sent weekly by the state is this.

[Situation and Pipeline Reports](#)

2018 June

[Pipeline Report #46: June 16 - June 22](#)

Homeowner Program Snapshot table:

Applications In Process	As of 6/15/18	Weekly Activity	As of 6/22/18	Percentage
Total Number of Invited Applications	41,044	110	41,154	
Applications Not Submitted	5,150	-469	4,681	
Applications Available For Grant Determination	35,894	579	36,473	
Pending Grant Determination	5,703	-805	4,898	13%
Grant Determinations				87% Grant Determinations
<b>Zero Award</b>	8,511	491	9,002	<b>25%</b>
Ineligible Determination	5,540	369	5,909	16%
Withdrawn By Applicant	4,177	166	4,343	12%
Grant Award Offered To Applicant	11,963	358	12,321	34%
Grant Awards Total Dollars				
Grant Awards Offered	11,963	358	12,321	327,993,178.94
Grant Awards Obligated	8,627	251	8,878	235,945,876.31
Solution 1 Only	175	6	181	7,348,635.92
Solution 2 Only	825	37	862	28,118,841.24

Solution 3 Only	1,820	46	1,866	32,032,174.94
Solution 3 and 1	1,283	46	1,329	45,124,303.28
Solution 3 and 2	4,524	116	4,640	123,321,920.93
Disbursements				
Total Disbursements	7,108	325	7,433	138,210,705.80
Solution 1 Only	42	2	44	1,138,848.09
Solution 2 Only	268	28	296	6,469,847.46
Solution 3 Only	1,552	106	1,658	29,008,693.29
Solution 3 and 1	1,190	28	1,218	21,617,191.91
Solution 3 and 2	4,056	161	4,217	79,976,125.05

Let me share with you three homeowners that are within the income requirements of HUD being that they are below 80% AMI, they are within the most impacted disaster areas and have more than \$8,000 worth of damage.

I've made the items in the table above bold that concern all low to moderate income families.

Homeowner #1 (extremely low income) spent their combined retirement and pension fund rebuilding their home that had been paid off for years. They were told by Restore.LA.Gov which is managed by the Office of Community Development and Disaster Recovery Unit of Louisiana that they do qualify as an applicant. But what the state doesn't tell you up front is that because you owned your home without a mortgage Mr. and Mrs. Homeowner #1 you will qualify for a SBA Loan based on your collateral of your home. SBA does not have to calculate your income to expense or your income if you have collateral to put up to secure the loan. Homeowner #1 knowing they could not afford to take on payments for 30 years covering the \$80,000.00 loan that SBA offered they refused and declined the loan.

That report was sent over to the OCD-DRU (Office of Community Development Disaster Recovery Unit) of Louisiana and they shared that information with their contractor processing the grant applications. Because the homeowner had been approved by SBA the OCD-DRU HUD Grantee for Disaster Relief denied the homeowner any reimbursement or additional funds to cover unmet needs. Currently the family is completely and financially broke with an estimated additional \$40,000 in repairs to make the home livable. They are living in the unfinished home like many others in the same low income category HUD claims to assist in times of disaster to prevent homelessness and blight.

Homeowner #1 was denied by the State of Louisiana 4 times based on the SBA Loan policy they currently have in place but has not made it 100% clear and public. The homeowners are again appealing the ruling but without HUD Office of Inspector General's help little can be expected to change for this low income household.

Homeowner #2 (low income) inherited their home from their parents. Not knowing they had to have flood insurance and without being told by any flood management agency from the state they went for years without a mortgage and without flood insurance. Using FEMA funds of about \$30,000 this household invested



smartly and did an estimated \$36,000 worth of repairs according to the repair estimate the State of Louisiana did for this low income household. The Restore.LA.Gov group also known as OCD-DRU Louisiana calculated that all they needed was \$12,000 more and they could completely finish their home. But when the state calculated their grant award it was discovered that they had also be approved for an SBA loan. This homeowners loan was for \$20,000 and when added to the duplication of benefits disqualified them from the \$12,000 grant they needed to complete the home. SBA again granted the loan for the homeowner based on the property as collateral. The homeowner refused the SBA loan which doesn't change the states policy of counting or penalizing homeowners the total amount of the SBA loan even if they declined the loan and didn't take a penny. This homeowner is living in a home with no floors and stuck windows. They are willing to wait years to make the repairs but as other issues overtime come to the surface this home may go for decades without floors in rooms and windows that function.

Neither homeowner #1 or #2 had flood insurance. They did not live in a flood zone.

Homeowner #3 (moderate income) had flood insurance, was in a special flood hazard area (SFHA) and sustained substantial damage and is being forced by state and federal regulations to elevate the home to at least base flood elevation. HUD requires an additional 2 feet above base flood elevation so this homeowner is looking at nearly 8 feet of costs to elevate their home. Homeowner #3 had Flood Insurance from the NFIP, has ICC (Increased cost of compliance) coverage, home insurance, received a FEMA grant for \$30,000 to help with some of the repairs and was given \$160,000 by the flood insurance program.

Once it was discovered that the home would have to be demolished to be raised the bank took the NFIP money to pay off the home mortgage before the home was demolished. This was over \$120,000 of the \$160,000 the homeowner received to rebuild after the 2016 floods. Leaving the homeowner now with \$40,000 NFIP funds and \$30,000 FEMA grant the homeowner is looking to elevate their home 8 feet above the ground and rebuild the home or reconstruct the home with \$70,000.00 total including elevation.

The homeowner also was approved for an SBA Loan in the amount of the NFIP payment. The home had no real value for SBA so the SBA process is to lend money to the homeowner at a low interest rate so they can start rebuilding and then collect the payment made by the NFIP to the homeowner. This was simply exchanging money and being allowed the money 3 months faster than it actually took. At the time the bank would have made claim to the NFIP to force the payoff of the mortgage which would have placed Homeowner #3 into collections from the SBA collection team. They typically demand the return of their money after issues like this in 30 days. That means the homeowner would have to secure \$120,000 to repay SBA for the temporary loan.

The Homeowner #3 declined the loan and has \$70,000 ready to elevate the home and reconstruct the home. Elevation bids the homeowner received total on average \$155,000 and the reconstruction of the home after elevation is estimated by Restore.LA.Gov Louisiana Office of Community Development - Disaster Recovery Unit to be \$96,000 to repair the home. To become compliant with both local, state and federal regulations Homeowner #3 will need to collect over \$251,000.00 to complete their rebuild after the 2016 floods. Homeowner #3 was approved by Restore.LA.Gov for a grant in the amount of \$96,000 which when combined would leave the homeowner with \$166,000 available funds to complete the elevation and reconstruction. Homeowner #3 would have to way and apply for other federal grants that assist homeowners in elevating their properties. This could be 2 to 10 years depending on the declared disaster but in some cases their are no other options. Homeowner #3 will not be awarded the HUD grant for \$96,000 because of the SBA Loan approval amount is calculated as duplication of benefits even when the homeowner declined to take the money. The amount was the total of the NFIP insurance amount which actually makes it more of a Federally Secured Temporary Loan to which HUD has not answer and the State of Louisiana refuses to waive this penalty placed on the homeowner for not taking the SBA Loan that was secured by the NFIP payment which arrived 3 months after the SBA loan was declined.

As you can see we have three examples of Low Income to Moderate Income households that are being penalized by the State of Louisiana for not taking the SBA Loan that was approved for them. In Homeowner #1 and #2 they would have had a 30 year payment plan with their home as collateral. Homeowner #3 would have been able to hold the money for 3 months before it would have been paid off by their NFIP insurance.

In these cases we see the SBA Loan rules and the State of Louisiana Office of Community Development policies do not directly address any of HUD's 3 main directives. The Grants are to assist Low income to Moderate income persons, Prevent Blight and slums, and address urgent needs which also includes state, city, parish (county) government infrastructure.

When we addressed the Louisiana Task Force April 13, 2018 about this issue of LMI households not being awarded grants based on SBA loan approvals or FEMA IHP (Individual and Household Program) grants the director of the Office of Community Development questioned if the victims of the 2016 floods would actually spend the money on repairing their homes.

It is our conclusion that mismanagement is abundant within the Louisiana Office of Community Development - Disaster Recovery Unit and the Governor of the State of Louisiana has not been properly informed of the issues.

It appears this issue stems from upper management, department directors and task force members unwilling to address the issue in public.

It is also of great concern that out of the 19,000 LMI we are seeing a very high rate of disqualification for grants only based on the State OCD-DRU policies.

Public Law 115-123 passed February 2018 excludes any homeowner that declined the SBA loan from being counted as a duplication of benefits.

But the state of Louisiana continues to chant a song that they are waiting for congressional clarification regarding the SBA loan as a duplication of benefits.

This issue is not the issue of waiving all SBA loans from the Duplication of benefits policy, it is only addressing the households in the low to moderate income ranges that have been approved the SBA loan but declined to take the loan.

The public law signed by president Trump is being ignored by state and local officials for reasons they are not willing to discuss or disclose.

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