

Introduction

The New Orleans Metropolitan Association of REALTORS® thanks the Subcommittee for holding these hearings and continuing to focus on the aftermath of Hurricanes Katrina and Rita, and the levee failures. My name is Frank Trapani. I am a REALTOR® with Latter & Blum REALTORS®, Inc. I am also President of the New Orleans Metropolitan Association of REALTORS®. I represent over 4700 REALTOR® members. Over 60% of our members experienced the loss of property, business and income. Sadly some lost their lives and others lost family members. It has been the biggest challenge of my life to assist our members in putting the pieces of their lives back together after such a tremendous, far reaching disaster. In addition, as REALTORS® we are charged with the responsibility of assisting those who lost their homes in trying to obtain new housing. There is much to be learned in the aftermath of these disasters, and we applaud your leadership in pursuing this discussion and identifying solutions that can help mitigate any future catastrophes.

Road Home Program

The New Orleans Metropolitan Association of REALTORS® supports the goals of the Road Home Program. Helping residents of the disaster area to get back into a home or apartment as quickly and fairly as possible is critical to recovery. Assistance to help homeowners return, rebuild and decide on their future is vital work. The Road Home also recognizes the needs of small property owners, without whom affordable rental housing is scarce.

However, the implementation of the Road Home Program has been its own disaster. It is 21 months after the hurricane hit, and rebuilding has barely begun. According to the Louisiana Recovery Authority, only 17,000 of the program's 137,000 applicants have even had their claims processed.

The biggest problems are lack of planning, jurisdictional issues, and the need for local input/controls. The entire program should have been administered by local banks and lenders which would have saved hundreds of millions in dollars in administrative expenses and saved and boosted local businesses many of whom went bankrupt instead. There was never an open or transparent process to pick vendors.

One only has to look at the SBA disaster loan debacle administered by the Federal Government. Local Banks could have knocked out these loans in months at a fraction of the cost and with much less fraud and mismanagement. Local banks do SBA business loans all day long in a matter of days, not years! They should have handled the SBA disaster loans too. Many people spent thousands of dollars in upfront fees only to never get a loan at all!

In addition, it has now been shown that the amount of money necessary for the Road Home was so grossly under estimated that it is a travesty. Louisiana will require at least 3- 4 times that amount of money "granted" to repair the damage to people's property that the failure of the federal levees caused. In addition, federal disaster funds should not be tied to other legislation which had nothing to do with the natural disaster.

Need for Comprehensive Disaster Program

The New Orleans Metropolitan Association of REALTORS® believes that now is the time for Congress to enact comprehensive natural disaster legislation that addresses insurance availability and affordability concerns. The inability to obtain affordable homeowners' insurance is a serious threat to the residential real estate market – and thus, our economy, in several ways. Because homeowners' insurance is a necessary component in securing a federally-related mortgage, an otherwise creditworthy potential homebuyer who cannot obtain the required insurance is priced out of the market. The lack of affordable insurance makes housing unaffordable. If an existing homeowner is unable to maintain insurance required by a mortgage lender, the mortgage is in default. In lease situations, insurance costs incurred by landlords are ultimately passed along to tenants in the form of higher rents.

The New Orleans Metropolitan Association of REALTORS® supports the creation of a federal natural disaster program that will prevent future disruptions in insurance markets and promote available and affordable homeowners' insurance in disaster-prone areas. Key elements of a comprehensive natural disaster policy include encouraging personal responsibility through insurance and appropriate mitigation measures, recognizing the roles of state and local governments regarding building codes and land use planning decisions, and addressing infrastructure needs. We strongly urge the Subcommittee to pursue a federal disaster program.

Conclusion

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