

**Mississippi Development Authority**

**Homeowner Assistance Program**

**Modification Number 4 – Phase II**

# **MISSISSIPPI DEVELOPMENT AUTHORITY**

## **PARTIAL ACTION PLAN**

### **FOR**

## **HOMEOWNER ASSISTANCE PROGRAM**

### **MODIFICATION NUMBER 4 – PHASE II**

#### **Background and Scope**

The Mississippi Development Authority (MDA) submits this Homeowner Assistance Program Partial Action Plan Modification Number 4 of the Final Plan approved by HUD on April 1, 2006. MDA has determined that this represents a major modification to the plan requiring formal submission to HUD and submittal for public comment. The nature, purpose, scope and beneficiaries of Phase II are defined in this modification.

#### **Program Purpose**

The purpose of the Phase II Homeowner Grant Assistance program is to provide compensation, up to a maximum of \$100,000, to homeowners who suffered damage to their primary residence as of August 29, 2005, from Hurricane Katrina. In addition, an elevation grant of up to \$30,000 may be offered to eligible applicants who meet program requirements. Qualifying homeowners must have a household income at or below 120% of the Area Median Income (AMI), agree to a covenant on their property that establishes building code, homeowner insurance, and elevation requirements for them or any future owners of the land. Qualified homeowners may relocate in the lower six counties (Hancock, Harrison, Jackson, Pearl River, George or Stone Counties, Mississippi). After certain deductions, homeowners have complete discretion of the use of the compensation grant, as allowable by State and Federal law, as they work through their personal disaster recovery situations. MDA is redirecting \$700 million of the \$3 billion initially allocated for Homeowner Assistance Grants to the Phase II Homeowner Grant Assistance Program.

#### **Overview**

Since August 29, 2005, the residents of the Mississippi Gulf Coast have suffered significant hardships, including financial hardships, as a result of the disaster. This program is designed for homeowners who experienced flood surge damage as a result of Hurricane Katrina and meet the eligibility and other requirements outlined in this modification. Eligible homeowners can begin their recovery process helping to drive and stabilize economic development, which is crucial for the recovery of the Mississippi Gulf Coast.

Financial compensation and advisory services will be available for homeowners who wish to:

- Repair
- Rebuild
- Relocate

### **Eligibility for Assistance**

To be eligible for the Phase II Assistance Program, applicants must have:

- Owned and occupied a home as a primary residence on August 29, 2005
- Owned a home located in Hancock, Harrison, Jackson or Pearl River Counties, Mississippi
- Owned a home that received flood surge damage as a result of Hurricane Katrina
- Has a household income at or below 120% of Area Median Income (AMI)

Only 1 (one) application per home is allowed. If a homeowner does not meet all the requirements listed above, he or she does not qualify for the program. Phase I applicants deemed eligible for Phase II who have a household income at or below 120% of AMI and have uncompensated damages may receive financial compensation through this program.

### **Requirements for Receiving Homeowner Assistance**

To achieve the State's priority of replacing housing, homeowners receiving compensation will be required to demonstrate their commitment to follow through on certain actions in exchange for compensation by signing a legally binding document, which provides for the following:

- Homeowner will maintain recommended structure and flood insurance
- The home they own and occupy meets the applicable building codes and local ordinances
- When rebuilding, the home they own and occupy complies with FEMA guidance for base flood elevations
- If the home is manufactured housing, it will comply with HUD's manufactured housing code and be elevated in accordance with FEMA advisory flood levels

Any homeowner who fails to meet all of these terms and conditions may be required to repay all or a prorated portion of the financial compensation provided through this program.

### **Grant Calculation**

The starting point for the grant calculation is the MDA-approved structure damage assessment. The starting point will be reduced for structure proceeds received from FEMA, Insurance, Phase I (Net Grant) or any other sources of compensation MDA deems as a duplication of compensation. This will provide the amount of the Uncompensated Damage. Grant awards for

homeowners who maintained homeowner and/or flood insurance on the property on August 29, 2005, will be calculated at 100% of the Uncompensated Damage. Grant awards for homeowners without insurance on August 29, 2005, will be calculated at 70% of the Uncompensated Damage. Grant awards for homeowners who meet the criteria for special needs will be calculated at 100% of the Uncompensated Damage. The Grant Award is capped at \$100,000. The Grant Award may be reduced for MDA/SBA determined Duplication of Benefits for those with SBA loans. Future insurance proceeds to the homeowner will be subrogated to the State.

### **Criteria for Special Needs**

The following are the criteria for special needs:

- Elderly – Age 65 or over as of grant notification date.
- OR**
- Disabled – any person who has a physical or mental impairment that substantially limits one of more major life activities; has a record of such impairment; or is regarded as having such impairment as defined by the Social Security Administration.
- OR**
- Household income at or below 60% of AMI.

### **Elevation Grants**

Eligible homeowners may also receive a separate grant of up to \$30,000 to defray the costs of elevating their homes. This grant would be made available to homeowners who meet the eligibility and program requirements.

Homeowners who had flood insurance at the time of the flood and are eligible for assistance from NFIP are not eligible to receive the \$30,000, as they should receive a like amount directly from NFIP. The grant is for the increased costs of building to the new height regulations. Each property may be subject to an environmental review.

### **Financial Incentives**

If additional funds are required as part of a homeowner's recovery plan and conventional financing options exceed the homeowner's financial means, an incentive loan program may be offered. The financing will be designed to provide an affordable way for the individual homeowner to execute his or her recovery plan. Commitments similar to those required under the grant program must be made by the loan recipient.

### **Disbursement of Funds**

To help ensure that homeowners meet the requirements of the Program, grants and incentive loans will be placed into disbursement accounts that are managed by both the homeowner and a financial institution/agent. The homeowner may choose their financial institution from a list of approved financial institutions provided by MDA.

MDA will work with the financial institutions to set up standard terms for managing such accounts and disbursing payments as the homeowner makes progress towards meeting the Program Requirements. Homeowners who have met the requirements at the time the grant is awarded will receive the full payment at that time.

### **Appeal Policy**

Any homeowner may appeal the decision (including, but not limited to, eligibility, damage assessment, amount of assistance and offsets) made by MDA with respect to the Homeowner Assistance Program. The final appeal policy is included in Modification Number Three.

### **Eligible Activities and National Objectives**

Eligible activities:

- 1) Planning and administrative costs are estimated as less than 5%. The national objective criteria do not apply separately to planning and administrative activities.
- 2) Phase II Homeowner Assistance Program – total estimated amount of \$700 million composed of the following separate eligible activities:
  - Compensation grants to homeowners including activity delivery costs and internal control costs for which a waiver was received in the initial action plan
  - Financial counseling to assist homeowners in working through the affordability of their recovery plans
  - Elevation grants to homeowners to defray the cost of elevating their homes
  - Financial incentive loans to provide an affordable means for a homeowners to cover their uncompensated losses

All payments made to persons of low/mod income meet the national objective of low/mod participation. Payments to those above the low/mod income levels meet the national objective of urgent need.

### **Environmental**

In consultation with HUD, and due to the nature and design of the Homeowner Assistance Grant Program, the State has determined through its environmental review that project level actions are categorically excluded and not subject to related laws for Phase II. The appropriate documentation will be completed and included in the State's Environmental Review Record for this program.

## **Public Comments**

The proposed modification – Number 4 Phase II - was officially posted for public comment to the website, [www.mississippi.org](http://www.mississippi.org) on November 20, 2006, with the public comment period ending on December 8, 2006. Additional program guidelines were made available through television and newspaper articles. Both on-line and hard copy versions were available in Spanish and Vietnamese.

As required by regulations, a summary of comments or views not accepted (the number received is shown in parentheses) and the reasons therefore are as follows:

- Expand the Program: The Phase II Homeowner Assistance Program should be expanded to include renters, owners of rental property, homeowners whose homes suffered damage from any source, homeowners beyond the lower six counties, small business owners, and owners of second homes. (15)
- Eligibility: Waive the requirement that eligible homeowners rebuild/relocate in the lower (6) counties, the requirement of income as a factor, and eliminate the age limit of 65 for the special needs category. Special needs assistance should include households at or below 80% of AMI and income should be calculated using 2005 income instead of projected for 2006. Remove the requirement that homeowners occupy the home for three (3) years. (14)
- Calculation of the grant amount: Do not deduct FEMA or insurance proceeds from the grant. Award 100% of the uncompensated loss and deduct 30% from only those that were uninsured. (3)
- Grant size: Provide additional assistance for the disabled; \$25,000 is not enough to cover needs. Increase cap amount of the grant. (10)
- Elevation grants: Homeowners with flood insurance who are ineligible for ICC coverage will not eligible for elevation grants and will be unable to rebuild their homes to safer standards. (4)
- General comments: Homeowners who did not have insurance should not be considered until the insured have been assisted. Grants should be provided directly to the homeowners. Create a program for people who do not qualify for Phase I or II. Shorten length of time to receive assistance. Increase outreach to the Vietnamese population. Develop an “Incentive Loan Program” that leverages existing regulated financing networks and the secondary market. (4)

*Response: With regard to expanding the program and eligibility, the program remains unchanged with the exception that the requirement that the home will remain owner occupied for at least three (3) years after the completion of repairs/replacement or after relocation to a new home. MDA continues to work to develop additional programs to assist in the rebuilding efforts*

*on the Mississippi Gulf Coast. With regards to comments on grant calculation and grant size, federal regulations dictating the avoidance of the duplication of benefits prevent MDA from disregarding FEMA and/or insurance benefits. Calculation of the grant has been changed to provide 100% compensation to those insured and special needs applicants with a 70% compensation for uninsured applicants. The grant cap has been increased to \$100,000.*

*With regards to elevation grants, homeowners with flood insurance but who are ineligible for ICC assistance will be eligible for an elevation grant.*

*With regard to general comments, the creation of the Phase II Homeowner Assistance Program does not prevent homeowners applying under the Phase I Program from continuing to receive assistance. Funds allocated to previous programs will remain until all eligible homeowners are assisted.*

### **Prevention of Fraud, Waste, and Abuse of Funds**

The State will employ the same audit, internal audit, and quality control protections for Phase II as it is already using for Phase I. In addition, after reviewing the needs of the target population, the state has added a professionally managed disbursement account to this second phase to help ensure that payments made reflect the progress toward meeting grant requirements.

### **Anti-displacement**

The State plans to minimize residential displacement activities. The Homeowner Grant Assistance Program, by its design, allows homeowners to choose whatever personal, post-Katrina recovery action will meet their household needs. No displacement is expected as a result of any of the activities now proposed or contemplated.

### **Substantial Amendments**

The State recognizes that any change, which changes the nature, purpose, or scope of the programs contained herein, will constitute a substantial amendment requiring public comment and approval by HUD. Additions or deletion of program activities or changes in beneficiaries would also constitute the need for a program amendment requiring public comment and HUD approval.

### **Waivers**

The State anticipates the request of waivers to allow incentive loans to be an eligible program activity. Waivers received from the original action plan, other than the low/mod participation, are considered effective for this modification.