

**Written Statement of Frank Silvestri on Behalf
of the Citizens' Road Home Action Team (CHAT)**

On behalf of our group, the Citizens' Road Home Action Team (CHAT), I would like to express our appreciation and thanks to this Committee for the opportunity to provide some information, and hopefully some additional insight into the Road Home Program. In turn it is CHAT's sincere hope that Congress will take the necessary next steps to continue to help the people of Louisiana, who are still trying to get home, nearly two years after Hurricanes Katrina and Rita.

Introduction

When the history of the federal response to Hurricanes Katrina and Rita is finally written, what will our grandchildren be told was done by government to help its own people after the greatest natural and man-made disaster in our country's history?

In the files of the Road Home Program (RHP), are the stories of more than a hundred thousand people still waiting for a grant check. The program is running out of money because of under-funding, and now it is in danger of grinding to a halt.¹

The estimated shortfall in RHP funding is the most serious and imminent threat facing the recovery of the parishes of southeast Louisiana and the greater New Orleans area. This program is the only chance for most of these hundred and thirty thousand people to rebuild their homes.

¹ Louisiana's original request to the Office of the Federal Coordinator was for 9 billion dollars to rebuild owner-occupied homes, exclusive of administrative costs. Even this amount would have been insufficient in view of damage assessments that were too conservative and more uninsured and underinsured homes than originally estimated.

The people of Louisiana share a unique heritage. They are resilient, hard-working, honorable men and women and they have enormous determination. But they are being stretched to the breaking point and time is their enemy. Many have come back, many more want to return, but they cannot do it without the continued help of this Congress.

Many people forget that most of New Orleans still remains devastated. An estimated 200,000 homes, including approximately 77,000 rental properties were severely damaged or destroyed by Katrina. Of these approximately 123,000 were owner-occupied homes, according to original estimates made by FEMA and, CHAT understands, relied on by the Louisiana Recovery Authority (LRA) in setting up the RHP. The original goal of the RHP was that federal grants would give the homeowners of Louisiana the means to rebuild smarter, safer and stronger.

Before the shortfall, the most significant problems in the Road Home Program CHAT observed were the painfully slow pace of the disbursement of grants, poor execution in the determination of those grants, conflicting or inconsistent federal and state policies or regulations, excessive anti-fraud measures and the inability of ICF (the program contractor) staff to communicate to applicants basic information about program policy, the rules of the program or the status of their files.

Even if Congress provides this desperately needed additional funding, and it must if this program is to succeed for all the people who lost their homes in the flood, persistent problems with the Road Home Program must be corrected. If grant money does not get into

the hands of the people for whom it was intended very rapidly, it will prove too little, too late, for most.

Although CHAT has been one of the program's harshest critics concerning the quality of its implementation, a fully funded Road Home Housing Program is essential to recovering our region. CHAT believes this program can succeed and must. Calls to fire ICF or disband the LRA would only result in longer delays and more hardship. Should that happen, the effect on applicants would be like throwing a drowning man an anchor.

The LRA and CHAT

The Citizens' Road home Action Team, (CHAT), is an entirely volunteer group of people who share the common goal of trying to rebuild, not just their homes, but their city as well. CHAT was founded by Dr. Melanie Ehrlich, who in her day job as a geneticist at Tulane, works on, among other things, a cure for one form of muscular dystrophy. She is the heart of CHAT, and has been ceaseless in her efforts to help others.² Starting in late September 2006, CHAT began asking questions about the RHP, meeting with LRA and RHP officials, learning about the program and making whatever information and documents it obtained freely and easily available to the public.

Through concerted effort, CHAT learned a considerable amount about the problems people had, and continue to experience with the RHP. CHAT worked with LRA and Road

² Dr. Ehrlich has provided an affidavit to the committee which includes attachments detailing the comments of applicants concerning their experiences with the RHP. In addition to Dr. Ehrlich, Shawn Antee, Laura Lebon, K.C. King, Ray Broussard, Karen Fontana, Deborah Langhoff, Karen Gadbois and Alan Guiterrez, to name a very few who have contributed hundreds of hours and more, while dealing with their own recovery problems, trying to improve the process.

Home officials to promote reforms in the grant evaluation process that included the use of more accurate Louisiana certified appraisals instead of drive by appraisals, the tender of awards, which allows grant recipients to accept their grants without losing their right to appeal, getting OCD and ICF to publish the policies and rules of the program so that applicants could better understand the process, correcting deficiencies in the “closing” documents that were unfair and unduly restrictive on grantees, and most recently putting forward a proposed Road Home Applicants Bill of Rights, which was unanimously adopted by four parish councils, and recently by the LRA, in a modified form.³

CHAT’s experience with LRA officials has been open and frank. While CHAT members have often been frustrated at long delays in implementing reforms that RHP officials agreed were needed, leaders of the LRA, the Office of Community Development (OCD), and the contractor ICF have usually been available to hear CHAT’s complaints and suggestions and, on several occasions, took corrective action. Moreover, the LRA has recently made a place in the LRA structure for members of CHAT and other organizations working with applicants to increase communication with such groups.

In sharp contrast however, there has been a persistent lack of meaningful communication between RHP/ICF front line personnel and applicants who have been unable to obtain basic information about the program or the status of their file.⁴ This has compounded problems for people who have been out of their homes for nearly two years. It is

³ A copy of the Bill of Rights adopted by the New Orleans city council is attached.

⁴ See affidavits of Linda LeBon and Ilene Powell and CHAT survey data and comments attached to the affidavit of Dr. Ehrlich.

impossible for people to plan where to live, where to look for work or where their children may go to school, without knowing if and when they will have the funds needed to rebuild their home.⁵

Persistent Problems In The RHP

CHAT believes that many of the early problems associated with the program resulted from lack of a clear and efficient delineation of policy which should have driven the implementation process and a clear chain of command. The question of who's in charge is still somewhat ill-defined. The LRA makes policy. Execution however, appears to lie exclusively within the province of a state agency, the Louisiana Division of Administration's Office of Community Development (OCD). OCD, in turn is supposed to oversee the program contractor ICF. When policy reforms suggested by CHAT were agreed to by the LRA, it typically took months to implement them, with no clear reason for the delay except that the papers were sitting in one office or another waiting for a signature from someone else.

Of equal significance however are poor communication and problems that have arisen between the LRA and federal agencies and officials that fall squarely into the category of "red tape." While CHAT's knowledge of these matters is "second-hand", it is understood, for example, that it took FEMA nearly fifteen months, after three unsuccessful attempts, to produce a record that was only 85% accurate for comparison purposes to allow the RHP to verify FEMA payments to residents and thus comply with one of the Stafford Act

⁵ CHAT has recently learned from ICF that one change which will now be instituted will put a single person in charge of an applicant's file from start to finish, something CHAT believes could significantly improve communications with applicants.

impediments to releasing funds to families. This list was apparently not provided by FEMA until November, 2006.

Similarly, it is understood by CHAT that HUD has reversed policy on more than one occasion. While this is a matter obviously best determined from LRA and HUD officials involved, one well known example involved the lump sum award issue. CHAT has been told that HUD was aware from the outset that the RHP was originally designed as a hybrid compensation/rehabilitation program. Nevertheless, HUD officials recently determined that the RHP had to disburse all grants as lump sum awards; i.e, that the RHP could not require deposit accounts to disburse funds as repairs were completed to insure rebuilding by those who elected the rebuild option. Ultimately, CHAT believes this was a beneficial change in HUD policy, because it put money in peoples' hands faster and eliminated a number of requirements that were frankly burdensome on applicants. Miscommunication between HUD and the LRA nevertheless has clearly contributed to more delay and resulted in further retooling of the program. Had HUD's policy imperatives been made clear from the start, a simpler faster disbursement process could have resulted.

Finally, it is abundantly clear that anti-fraud measures were given undue priority in the program. Applicants have had to be photographed, fingerprinted and verified *ad nasueum*. It has been reported to CHAT and other groups that on the few occasions when an applicant could get a person on the phone to discuss their file, they were invariably told they were "in verification", which was the equivalent of limbo.

CHAT believes the most urgent problems currently facing the RHP are:

The Shortfall in Funds

When the funding enabling these grants was tallied up, it amounted to approximately 7.5 Billion dollars for owner-occupied homes for thirteen parishes throughout the entire state of Louisiana. That is the gross figure. When contractor costs are subtracted (about 615 million off the top), what's left is approximately 6.8 billion, assuming 1.1 billion of that, still stuck because of FEMA "red tape" is ever released.⁶

That damage estimates did not accurately capture the true magnitude of the destruction does not make the problem any less severe, but only more urgent.

That there was less insurance coverage than predicted or that some insurance companies would not honor claims should surprise no one.

CHAT urges the Congress to see to it that no applicant is left behind or told his grant had to be cut because there isn't enough money. Even at twice its initial funding, many homeowners would still face enormous obstacles because rebuilding costs are frequently greater than grant awards.⁷ When you factor in increased costs in rebuilding due to the higher costs of materials and contractors in the area, rising insurance premiums and energy bills, the obstacles facing grant recipients are truly daunting even when they do get their grants.

⁶ It is understood FEMA has held 1.1 billion dollars in HPMG funds that the RHP includes in its 7.5 billion dollar program fund. CHAT urges this Committee do whatever it can to get FEMA to release these funds for use as CDBG grants. Otherwise the shortfall will be even greater and the disbursement process necessarily shut down even sooner.

⁷ Under LRA policy, the lesser of rebuild cost or pre-storm appraisal is used to calculate the grant. This CHAT has been told is because HUD regulations provide that grants cannot exceed pre-storm appraised value.

CHAT is concerned that the shortfall may be greater than calculated. CHAT urges this committee to fully explore the likely real needs of this program and it may find that what is really needed is more in the range of \$11 B, based on current figures.

*Fairness And Efficiency In The Process
(Getting People Out Of FEMA Trailers Fast)*

Only 16,000 of 130,000 applicants have received their grants. There has been an enormous improvement in the pace of awards in the last three months. However, because of the shortfall, the program will soon have to stop sending out award letters. The RHP urgently needs to get people living in FEMA trailers and half finished homes their grant money so they can complete their houses.

Two months ago, CHAT proposed that the RHP undertake an independent, rapid in-flight review of ICF and OCD, that would not interfere with the operations of the program, would identify bottlenecks and propose short term solutions to improve the process. CHAT suggested either a federally funded non-profit research corporation and/or a private firm be approached to conduct such a review.⁸ After raising this issue at two LRA Board meetings, the LRA agreed last month to undertake such a review, but it has not happened yet and there may be no funding for it. As part of this Committee's oversight, anything that can be done to get such a review underway would be beneficial. Such a review would likely result in more directed improvements and increased efficiency in the program.

Transparency and Accountability

⁸ This review is discussed further in the affidavit of K.C. King.

You cannot expect people to have faith or hope in a program where the rules frequently change and are kept from them. CHAT has encouraged the RHP to keep the public informed, to put information about the program, the rules, changes in policies, problems that develop with the process on its website. It has improved in this area, but needs to do better. Equally important is the vital need for people stuck in the process that call the RHP to be able to get accurate and timely information concerning where their application is, why it's stalled, what can be done to move it forward, and how long it may take for the problem to be resolved. ICF's communications with applicants has been in large measure disastrous and has engendered distrust and despair among thousands of people stuck in the pipeline.

The contractor needs to be held accountable. The contract executed between the Division of Administration and ICF contains no performance benchmarks that benefit applicants and no penalties for failure.

What Can The Federal Government Do?

Additional, adequate funding is needed to cover the shortfall in the program, once it is accurately determined. There must be enough money to insure every applicant receives a fair grant award. Without the assurance of Congress that this program will be fully funded, the RHP will either have to shortchange remaining applicants or shut down somewhere around applicant 85,000.

FEMA and HUD regulations that the LRA contends are slowing up the process must be rapidly identified, examined and eliminated where possible, whether that happens through

Congressional action, the Federal Coordinator's Office or by Executive Order, it can't happen soon enough.

Continued oversight by this committee is needed. HR1227 was passed by both houses and vetoed. Such legislation would help provide transparency and accountability.⁹

There must be better communication between involved federal agencies and the LRA. If knowledgeable agency representatives, with authority to act on behalf of FEMA and HUD were required to routinely meet with representatives of the LRA and RHP to deal with issues delaying the program, and report to this Committee on their progress or lack of it, it could lead to the earlier resolution of issues that delay the rapid disbursement of grants.

People in the affected region do need to build smarter, stronger, safer, especially if they can't count on their flood protection. This cannot happen without elevation grants. The cost to rebuild a destroyed home has no relationship to the cost to elevate. Both must be adequately funded. People who want to elevate should be given the help they need to do so. Coordination between the LRA and the NFIP, which has the data and expertise in this area for a genuinely effective elevation program that could result in smarter, safer homes. Such money will be far better spent than having to deal with the consequences of another storm, if elevation grants are shortchanged.

⁹ Require the State of Louisiana to submit monthly reports to the House Committees on Financial Services and Transportation and Infrastructure, and the Senate Committees on Banking and Homeland Security, on the implementation, status and effectiveness of the Road Home Program. Monthly reports should include: the number of applications submitted; the number of households served; the average grant amount received by households; the number of personnel working on the program; and actions taken to improve the program.

It is widely held that some insurance companies have either denied legitimate claims, or not fairly adjusted losses. Congressional inquiry into such practices should be considered. In addition to uninsured and underinsured homes, any such conduct by insurers has only further contributed to the shortfall of the RHP.

National disaster insurance is needed to make insurance affordable for everyone and to fairly and evenly spread the cost of losses from future natural disasters wherever they occur, so that such coverage is affordable for everyone. Only a handful of companies are writing coverage in Louisiana. Insurance rates have doubled for many homeowners. You can't get a mortgage if you can't get insurance.

Conclusion

We are rapidly approaching another hurricane season. Last year an elderly woman living in Gentilly, not far from my home was killed when a tornado struck.. It was to have been her last night in her FEMA trailer.before returning to her nearly finished home..

What happens in the next few months when a hurricane, or even a tropical storm, comes through New Orleans with 16,000 people living in FEMA trailers because they are still waiting for their Road Home money?

It would be disingenuous to suggest that mistakes were not made in the government's response to Katrina and Rita, both by the federal government and the state. Of Louisiana. It would be shortsighted and unfair to the storms' victims if those mistakes are not determined so that they may be swiftly corrected.

The single most important goal of the federal government and the state of Louisiana must be getting the Road Home Program adequately funded and those funds rapidly disbursed to the people for whom it was intended.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'F. Silvestri', with a long, sweeping horizontal line extending to the right across the page.

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