

Recovery Snapshot:
Mississippi Homeowners Grant Program

Grantee Name: State of Mississippi

Administering Agency: Mississippi
Development Authority

Program Started: 4/01/06

Projected End Date: 3/31/09

Number of Grants Paid to Homeowners*:
19,786

Homeowner Grants Paid*: \$1.4 billion

Average Grant per Homeowner*: \$71,331

*as of 4/1/08

Impact of the Disaster: When Hurricane Katrina made landfall in Mississippi on August 29, 2005, it turned out to be the worst natural disaster to ever hit the United States. Damage along Mississippi's Gulf Coast was widespread, with damage estimates of more than \$125 billion. FEMA reported 65,380 homes were damaged or destroyed in south Mississippi. Approximately 31,000 homeowners, whose homes did not have flood insurance based on FEMA flood maps, registered by phone with FEMA. All of these homes were damaged by the storm.

Approximately 19,000 of these homeowners, having relied on the advice from insurance agents that flood insurance was not needed, did not have flood insurance at the time of the hurricane. An additional 7,800 homeowners carried both homeowner and flood insurance. However, in many instances, the amount of flood insurance carried was minimal and far insufficient to cover the amount of losses incurred. Lacking adequate insurance, homeowners could not pay for repairing and rebuilding their residences. Without an adequate housing stock, post-storm recovery and economic revitalization was unlikely to occur.

Program Description: The initial design of the program (later called Phase I) was to provide a one-time grant payment, up to a maximum of \$150,000, to eligible homeowners who suffered flood damage to their primary residence. Eligible homeowners were those who lived outside the flood zone, maintained property insurance on their residence, and had either insufficient or no flood insurance. In exchange for the grant payment, a qualifying homeowner had to agree to place covenants on the property to ensure the following:

- Obtain and maintain flood insurance.
- Rebuild and repair in accordance with applicable codes and local ordinances which counties adopted after the storm.
- If rebuilding, elevate the home in accordance with the most recent flood hazard insurance guidance issued by FEMA.
- If replacement housing will be manufactured housing, it must comply with HUD's manufactured housing code and be elevated in accordance with FEMA-recommended flood elevations.

After certain deductions, homeowners had complete discretionary use of grant funds as they worked through their personal disaster recovery situations.

Coordinating the Disaster Recovery Effort: In October 2005, the Governor's Commission on Rebuilding and Renewal hosted the Mississippi Renewal Forum, a gathering of 200 professionals from Mississippi and around the world to develop designs and plans for destroyed areas that would create more sustainable living patterns at all income levels. One of the first programs to emerge was the Homeowner Assistance Grant Program.

Before such a program could be initiated, however, it was necessary to obtain key waivers to the CDBG program regulations. One waiver permitted the State to carry out activities directly rather than distribute all funds to units of local government. Another waiver made compensation payments to homeowners for losses sustained by the disaster, an eligible activity under the CDBG program. The initial Action Plan including Phase I was approved by HUD on April 1, 2006. The Mississippi Development Authority (MDA) hired a contractor to take and process applications, set up three intake centers, and undertook an aggressive outreach program to contact eligible applicants.

The State recognized, however, that there were still many homeowners who did not qualify for the Phase I program because they did not have property insurance at the time of the disaster, or if they were in the flood zone, did not have flood insurance. These were generally homeowners who had paid off their mortgage and were generally low income. Phase II of the Homeowner Assistance Grant Program provided a one-time grant payment, up to a maximum of \$100,000, to eligible lower income homeowners who suffered flood damage to their primary residence.

The difference between Phase I and Phase II applicants is that Phase II applicants were not required to have maintained insurance on their damaged properties, and eligible applicants include both those whose homes were located inside and outside the flood plain. In addition, the maximum grant amount is \$100,000 rather than \$150,000 in Phase I. Eligible applicants for Phase II must have a household income at or below 120 percent of the area median income and must complete a financial counseling requirement to receive funding.

Program experience led to several other amendments to the program. For instance, Amendment 1 acknowledged that the uninsured gap between the original grant calculation award and the current cost to repair was larger than anticipated. This was due, in part, because repair costs increased substantially after the storm. Therefore, MDA added an inflation factor of 35 percent in calculating the pre-Katrina insured value of the home. Other amendments were designed to modify the method of grant calculation, clarify requirements for subordination agreements, clarify the State's subrogation rights in the case of the settlement of homeowner lawsuits against insurance companies, and establish policy on payments when the homeowner owes State taxes or ad valorem taxes.

As of March 27, 2008, MDA had received 22,477 applications under Phase I, and paid 15,984 grants totaling \$1.145 billion. MDA had received 8,532 applications under Phase II (plus an additional 4,287 rolled over from Phase I), and paid 3,705 grants for \$260 million. As of December 31, 2007, 23.3 percent of Phase I household beneficiaries were low or moderate income.

For more information, visit <http://www.mississippi.org/content.aspx?url=/page/3538&#HAP>