

## HAP Program 1 Technical Modification Number 3

### Background and Scope

The Mississippi Development Authority (MDA) submits this Homeowner Assistance Program Partial Action Plan Modification Number 3 to the Final Plan approved by HUD on April 1, 2006. The MDA has determined that this does not represent a major modification to the plan requiring formal submission to HUD. The nature, purpose, scope and beneficiaries of the Partial Action Plan remain the same subsequent to the modification. Additionally, this technical modification will not negatively impact potential beneficiaries who have applied for assistance under this program.

### **I. Grant Calculation**

The first modification is to the starting point of the grant calculation. Below demonstrates these changes. The maximum grant for the Homeowner Assistance Program remains \$150,000.

- a. Starting point – the calculation of the grant amount starts with the smallest of the following values:
  1. \$150,000
  2. The pre-Katrina insured value adjusted by an inflation factor of 35%
  3. The greater of the SBA or MDA Damage assessment.

Example Table	Example 1	Example 2	Example 3	Example 4
Grant Cap	\$150,000	\$150,000	\$150,000	\$150,000
Adjusted Insured Value	\$75,000	\$100,000	\$125,000	\$400,000
Damage Assessment:				
SBA:	\$60,000	\$80,000	\$150,000	\$200,000
MDA:	\$50,000	\$90,000	\$150,000	\$200,000
Starting Point	\$60,000	\$90,000	\$125,000	\$150,000

- b. Reductions / Payoffs / Duplication of Benefits – Grants will be reduced by the following:
  1. FEMA Grants which represent a duplication of benefits
  2. Homeowner Insurance Proceeds
  3. NFIP Insurance Proceeds
  4. SBA Loans identified by SBA as a duplication of benefits will be paid down / off.
- c. Grant Amount – The amount that remains is the amount of the Homeowners Assistance Grant.

This change does not modify the core elements of the Phase 1 Partial Action Plan – including the Program Purpose, Background, Eligibility Requirements and Performance

Requirements. Further, it does not change the total amount of \$3 billion requested for the program.

## **II. Damage Assessments**

The second modification is to define the use of damage assessments for the grant calculation. The MDA Damage Assessor will provide an on-site inspection of the home and will provide to MDA an estimate of the cost to repair the damage to the home as a result of Hurricane Katrina. This assessment will include 100% of the damage from the storm. It is not limited to flood, wind, storm surge, or other relevant cause. In certain situations, MDA may use the SBA damage assessment if one exists and is higher than the MDA Damage Assessment. The percent of damage will not be used in the grant calculation.

## **III. Subordination Agreement**

The third modification is to clarify the Subordination Agreement to the Homeowner Grant Covenant. The Homeowner will be required to obtain a Subordination Agreement from their mortgage lienholder(s) only. Subordination Agreements are not required for judgment liens.

## **IV. Eligible Homeowners Who Have Sold Their Homes**

The State recognizes that some eligible homeowners have sold their homes prior to and since the launch of the homeowners assistance program. MDA therefore makes this fourth modification. All eligible homeowners were encouraged to apply for grant assistance. If the homeowner meets all eligibility requirements and obtains a voluntary covenant from the purchaser they may be eligible for a grant up to \$150,000 calculated as defined in this technical modification number 3. The covenant must carry all requirements as stated in the Final Action Plan and be subordinated to by any current mortgage lien holders.

## **V. Program Purpose**

The Program Purpose and Performance Requirements remain the same, as follows: “the purpose of the Homeowner Grant Assistance program is 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 as of August 29, 2005 from Hurricane Katrina. In exchange for the grant payment, qualifying homeowners must agree to a covenant on their property that establishes building code, flood insurance, and elevation requirements for them or any future owner of the land. After certain deductions, homeowners have complete discretion of the use of the grant funds, as allowable by State and Federal law, as they work through their personal disaster recovery situation.”

The Program Details as defined in the Partial Action Plan also remain the same for Applicant Eligibility and Awarded Grant Homeowner Requirements and as previously stated in the Partial Action Plan, “the Homeowner Assistance Program offers recovery assistance for homeowners who, while outside the flood zone, maintained property insurance and in some cases, flood insurance, but in insufficient amounts. By partially filling the insurance gap with the homeowner grant, eligible homeowners can begin the recovery process – which will help to drive and stabilize economic development crucial to the recovery of the Mississippi Gulf Coast”.

## **VI. Summary Conclusion**

Based on analysis of the program to date, MDA has determined that the Damage Assessments should be used to the advantage of the Homeowner, and accurately and fairly represent the Homeowner damage and cost to repair. MDA has assessed the risk of non-subordination to the covenant from judgment lien holders and made the decision that this risk is low. Given the adversarial position these homeowners have with judgment lien holders, MDA will require subordination agreements from mortgage lien holders only. MDA has also made the decision that eligible homeowners who have sold their homes and obtain a voluntary covenant from the purchaser may be eligible for a grant.

Therefore, the Partial Action Plan Modification Amendment Number 3 is to clarify the Grant starting point calculation as impacted by the change in the use of Damage Assessments, to define the use of Damage Assessments for the grant calculation, to further clarify the need for Subordination Agreements to the Homeowner Grant Covenant and to provide for eligibility of homeowners who have sold their homes. All other Grant Calculation elements remain the same and the grant amount cannot exceed \$150,000 as defined in the Partial Action Plan.