LOUISIANA
Housing Corporation

2015 State of Affordable Housing Tour
Alexandria

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JUST the FACTS

The overarching mission of the Louisiana Housing Corporation is to return the American Dream to Louisiana families. To achieve this mission, LHC provides financing in the form of tax credits and mortgage revenue bonds to developers for land acquisition, development, and construction of single- and multi-family homes. In addition, the Corporation administers programs that provide critical assistance to the state's most vulnerable populations, including the elderly and disabled veterans. The Corporation also provides single family loan products, homeowner counseling and foreclosure mitigation services. Together with the millions in economic impact that LHC investments make in local communities, the Louisiana Housing Corporation is a driving force ensuring that Louisiana's families are recovering from disasters, in a safer, stronger and smarter way by:

- Supporting the growth and recovery of **Small Businesses** by providing financing to real estate developers through Low Income Housing Tax Credits, Federal HOME Investment Partnership funds, and Mortgage Revenue Bonds.
- Providing housing for **Veterans** who are transitioning into post-war life and have been impacted by disabilities and homelessness.
- Increasing the stock of housing available to the growing workforce in order to support **Economic Development** and attract new investments to the state.
- Rehabilitating homes, rental, and historic properties to make **safer neighborhoods for working families** by eliminating blight and safe havens for violence and illegal activity.
- Helping Louisiana families **recover from natural disasters by developing safe**, sanitary, and decent homes in impacted areas.

Legislative and Regulatory Priorities

In 2015, in pursuit of the mission of rebuilding the American Dream, LHC will seek assistance from you in the following areas:

<u>Finance</u>

- To protect, strengthen, and expand the production potential of the tax-exempt private activity Housing Bond program (and its Mortgage Credit Certificate option) and the Low Income Housing Tax Credit, including through an increase in state Housing Credit authority.
- To make permanent the temporary 9 percent Credit fix included in the Housing and Economic Recovery Act of 2008 (HERA).
- A fixed 4 percent Credit in addition to the 9 percent Credit.

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2015 PRIORITIES

- To establish a state-determined basis boost for 4 percent Credits.
- Protect and restore HOME funding, while working to increase program flexibility, improve efficiency, and eliminate needless bureaucracy.
- To oppose the Administration's proposal to add to the ten Housing Credit Qualified Allocation Plan (QAP) selection criteria, an eleventh criteria for preservation of federally assisted affordable housing.
- Dedicated and sustainable funding for the state-administered Housing Trust Fund, with maximum flexibility for state program administrators and limited federal regulation.

Fannie, Freddie & Ginnie

- A strong secondary mortgage market system with a robust affordable housing mission that engages HFAs as preferred affordable housing lending partners, enables them to maximize their lending potential, and responds to their capital and liquidity needs, including through any successor entities to Fannie Mae and Freddie Mac.
- To work with the Federal Housing Finance Agency (FHFA) and the government-sponsored enterprises (GSEs) it regulates to strengthen and expand HFA-GSE partnerships.
- To eliminate the face-to-face meeting requirement HUD currently imposes on FHA loan servicers.
- To secure authority for Ginnie Mae to securitize multifamily FHA-HFA risk-sharing loans.
- To advance HFA interests in federal agency implementation of the Dodd-Frank financial reform legislation, including its Qualified Mortgage, Qualified Residential Mortgage, and ability-to-repay regulations.

Flood

- To monitor closely the implementation of the Homeowner Flood Insurance Affordability Act, particularly as several provisions go into effect on April 1. See attachment for a fact sheet from FEMA outlining changes.
- Repeal the Biggert-Waters Act. The Act has caused serious affordability concerns within the housing industry due to the increased cost of flood insurance premiums and remapping of the Flood Insurance Rate Maps.
- Prevent rate increases for grandfathered properties that were previously exempted from the new requirements to ensure rates remain consistent and affordable.
- Prior to the holidays, FEMA announced the launch of the Interim Office of the Flood Insurance Advocate, which was required by the Homeowner Flood Insurance Affordability Act. The Interim Office will begin work on specialized assistance to citizens and policyholders on NFIP issues; as well as regional mapping outreach and education support.

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How April 2015 Program Changes Will Affect Flood Insurance Premiums

The National Flood Insurance Program (NFIP) is in the process of implementing Congressionally mandated reforms required by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) that repeal and modify the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters). The new law slows some flood insurance rate increases and offers relief to some policyholders who experienced steep flood insurance premium increases in 2013 and early 2014. Flood insurance rates and other charges will be revised for new or existing policies beginning on April 1, 2015. In addition to insurance rates, other changes resulting from Biggert-Waters and HFIAA will be implemented that will affect the total amount a policyholder pays for a flood insurance policy. Highlights of some of those changes follow. For full explanations and guidance, see WYO Bulletin (W-14053) and the Flood Insurance Manual.

The changes taking place in April include an increase in the Reserve Fund Assessment, the implementation of an annual surcharge on all new and renewed policies, an additional deductible option, an increase in the Federal Policy Fee, and rate increases for most policies. Key changes include:

- Implementing annual rate changes that set rates using rate-increase limitations set by HFIAA for individual premiums and rate classes:
    - Limiting increases for individual premiums to 18 percent of premium.
    - Limiting increases for average rate classes to 15 percent.
    - Mandatory increases for certain subsidized policyholders under Biggert-Waters and HFIAA.
- Increasing the Reserve Fund assessments required by Biggert-Waters.
- Implementing annual surcharges required by HFIAA.
- Guidance on substantially damaged and substantially improved structures, and additional rating guidance on buildings constructed before their communities' first Flood Insurance Rate Maps (FIRMs) became effective (known as pre-FIRM structures).
- Implementing a new procedure for properties newly mapped into the Special Flood Hazard Area (SFHA) and existing **Preferred Risk Policy Eligibility Extension** (PRP EE), a cost-saving flood insurance coverage option for property owners whose buildings were newly mapped into an SFHA. The premiums will be the same as the PRP, which offers low-cost flood insurance to owners and tenants of eligible residential and non-residential buildings located in moderate- to low-risk areas for the first year (calculated before fees and assessments) to comply with provisions of HFIAA.
- Reformulating expense loading on premiums, reducing the expense load on the highest-risk policies as an interim step while investigating expenses on policies as required by Biggert-Waters.

The changes will take effect on April 1, 2015.

Reserve Fund Assessment Increasing

- Biggert-Waters required the establishment of a Reserve Fund to help cover costs when claims exceed the annual premium collected by the NFIP. FEMA began collecting an assessment in 2013 to add money to the Reserve Fund.
- The Reserve Fund assessment initially applied to all policies other than PRPs in 2013. The assessment on those policies will increase in 2015.
- Starting in 2015, PRPs will begin contributing to the Reserve Fund.

Policy	2014 Fee (as a percent of premium)	2015 Fee (as a percent of premium)
Preferred Risk Policies (PRPs)	0%	10%
Property Newly Mapped into the SFHA (Previous Preferred Risk Policies Eligibility Extension [PRP EE])	0%	15%
All Other Policies	5%	15%

HFIAA Surcharge Begins

- HFIAA slowed the elimination of subsidies provided for in Biggert-Waters and amended most of the provisions mandating that certain policies transition immediately to full-risk rates.
- To compensate for the decrease in revenue, the new law calls for the addition of a surcharge on all policies that will be collected until, with limited exceptions, all subsidies are eliminated.
- The surcharge is a flat fee applied to all policies based on the occupancy type of the insured building and is ***not*** associated with the flood zone in which the building is located or the construction date of the building (e.g., pre- or post-FIRM).
- The surcharge also applies to a renter's contents-only policy based on the policyholder's occupancy of the building or unit.

Occupancy Type	Annual Surcharge
Primary Residential: single-family and individual condominium units	$25
Non-Primary Residential: single-family and individual condominium units	$250
Multifamily Residential: condominium and other buildings	$250
Non-Residential	$250

When a Map Change Occurs

- Current PRP EE policies and policies for insured buildings that are newly mapped into high-risk areas from moderate- to low-risk areas will be eligible to receive PRP rates for 1 year after the maps become effective. The Federal Policy Fee for these and existing PRP EE policies will increase to $45 to ensure the solvency and sustainability of the program.
- For these policies, the rates at renewal will increase no more than 18 percent each year.
- Grandfathering remains a cost-saving option for policyholders when new maps show their buildings in a higher-risk area (e.g., Zone A to Zone V; increase in Base Flood Elevation).

What Is Grandfathering?

When FIRM changes occur, the NFIP provides a lower-cost flood insurance rating option known as "grandfathering," which is available for property owners who:

- Have flood insurance policies in effect when the new flood maps become effective and then maintain continuous coverage; or
- Have built in compliance with the FIRM in effect at the time of construction.

To learn more, visit the NFIP's Grandfathering Fact Sheet at **floodsmart.gov/floodsmart/pdfs/Grandfathering+Fact+Sheet+for+Agents-2010.pdf**.

Other Changes Coming in April

- As required by HFIAA, the maximum deductible for a flood insurance policy will increase to $10,000 for single-family and two- to four-family dwellings. If used, the deductible must apply to both building and contents. For single-family homes, choosing the maximum deductible will result in up to a 40 percent discount from the base premium. It is important to remember that using the maximum deductible may not be appropriate in every financial circumstance and may not be allowed by lenders to meet mandatory purchase requirements.
- The Federal Policy Fee will increase by $1 for most policies other than the PRP, which remains $22. The exception is policies rated using the map change table, which will increase to $45 to ensure the solvency and sustainability of the program.
- A new rate table showing annual rate increases of 25 percent will be created for pre-FIRM buildings that have been substantially damaged or improved. However, repairs made to these structures typically must meet current building codes and, therefore, will usually receive a better rate using post-FIRM rate tables.
- In most cases, average rate increases for each rating class are capped at 15 percent; the annual surcharge and Federal Policy Fee are not included in the rate calculation and could result in the total amount charged a policyholder increasing by more than 18 percent.

For full explanations and guidance, see WYO Bulletin (W-14053) and the Flood Insurance Manual.

Read the latest WYO Bulletins for complete rate-change information at **NFIPiService.com**

State Housing Needs

The findings in the 2014 Louisiana Housing Needs Assessment, confirm that Louisiana, like many other states in the nation, is suffering from a crisis of affordability. In short, a majority of home-owners and renters have to use greater than 30% of their income towards housing.

The simplistic solution to this issue can be expressed in two ways:

1.) Increase household income which translates to increased educational opportunities leading to higher paying jobs, increased minimum wage, and decreased healthcare costs; or

2.) Decrease the cost of housing which includes mortgage/rent, utilities, and insurance.

The resources available to the LHC only allow us to have an impact under the second option. Our products and services are designed to lower the cost of purchasing a home, keep rents affordable, and increase energy efficiency. The remainder of the solutions will require thoughtful policies that will raise the quality of life for families and allow us to better assist Louisiana's most vulnerable households.

State Policy

In 2015, in pursuit of the mission of rebuilding the American Dream, LHC will need to collaborate with state and local governments. The points below could serve as a framework for policies that will help move our state forward in developing safer, smarter, and stronger housing:

- Advocate for dedicated and sustainable funding for the Housing Trust Fund through a partnership with emerging capital investments.
- Support and encourage the development of regional housing and transportation plans.
- Ensure that taxation and other fiscal policies are conducive to developing and sustaining affordable housing.
- Encourage municipalities to identify and zone tracts of land for single- and multi-family housing development with adequate capacity to meet local housing needs, especially residents with special needs including the elderly and post-war veterans.
- Create a constituent services referral master network/database to be used jointly by all state and local agencies which have programs and services to assist vulnerable citizens.
- Partner with the Congressional Delegation to monitor closely the implementation of the Homeowner Flood Insurance Affordability Act, particularly as several provisions go into effect on April 1.
- Prior to the holidays, FEMA announced the launch of the Interim Office of the Flood Insurance Advocate, which was required by the Homeowner Flood Insurance Affordability Act. The Interim Office will begin work on specialized assistance to citizens and policyholders on NFIP issues; as well as regional mapping outreach and education support. You can read more at: **https://www.fema.gov/news-release/2014/12/19/fema-announces-launch-interim-office-flood-insurance-advocate.**

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Who are we?

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We can help your local area by:

- Providing technical assistance to mayors, councils, police jurors, community development organizations to empower you to develop affordable housing in the area.
- Providing guidance in community planning and development.
- Providing financial and programmatic resources that:
  - o Facilitate the acquisition of land, development, and construction of single- and multi-family homes
  - o Assist families with buying a house

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- o Help owners repair a home
- o Weatherize homes and provide energy assistance
- o Provide rental assistance
- o Offer placement and supportive services for homeless families and rapid re-housing for families facing homelessness

• Connecting you with the right federal, state, and local resources.

Here's what we need you to do:

1. Take account of what your actual housing needs are. For example, does your area need:

- o Senior developments that facilitate aging in place?
- o Home repair?
- o Blight reduction?
- o Additional housing stock?
- o Less vacant units?
- o More single family homes?
- o Preservation of aging multi-family developments?

2. Ensure that there is intentional focus on providing for and encouraging investments in infrastructure and housing development just as you would encourage economic investments.

- o Are there zoning issues that may hinder development?
- o Is the area landlocked?
- o What is the vacancy rate?
- o What are the obstacles to land acquisition?
- o Are the area mortgage lenders providing the right loan products that promote low-income homeownership?
- o Are there policies in place that incentivize good community stewardship by property managers and property-owners?

3. Leverage your resources.

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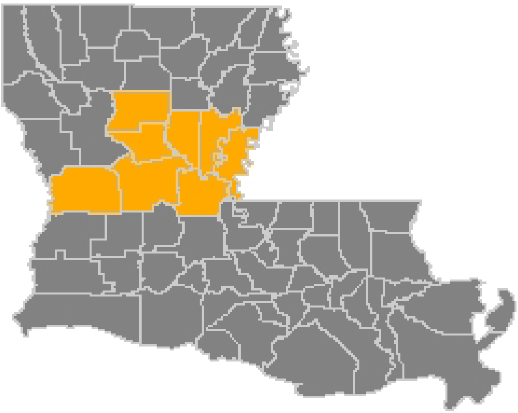
- o U.S. Department of Agriculture (USDA)
- o U.S. Department of Housing and Urban Development (HUD)
- o Community Housing Development Organizations (CHDO)
- o Louisiana Municipal Association (LMA)
- o Area Redevelopment Authorities (RDAs)
- o Local colleges and universities
    - Urban Planning
    - School of Architecture
    - College of Engineering
    - Public Administration and Public Policy

4. Dream big.

- o Master plan your area. You need to determine:
    - What type of housing you need
    - Where would it be placed
    - What the housing will look like
    - Who are the tenants/homeowners
    - What is the proximity to transportation, schools, hospitals, and other supportive services
    - If the infrastructure can sustain the growth
    - If the population is increasing or decreasing
    - If you build it, will they come?

The LHC is here to help. We have a team of experts who is driven by our mission to provide opportuninities for Louisiana families to afford decent, safe, and energy efficient housing. Together, we can transition our state from disaster recovery to sustainable growth and development.

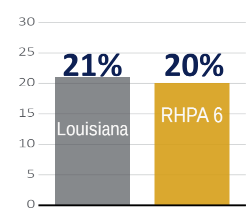
RHPA 6 Alexandria



The Regional Housing Planning Area 6 (RHPA 6) is comprised of Avoyelles, Catahoula, Concordia, Grant, La Salle, Rapides, Vernon, and Winn Parishes.

In **Louisiana**, a person earning the **minimum wage** working **40 hours** a week without taking any unpaid leave (a total of 2,080 hours a year) would earn slightly more than **$15,000** annually.

Poverty Rate

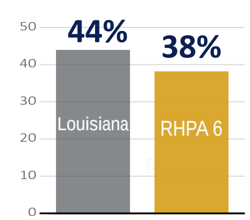


Rent stressed households are households expending more than 35% of their monthly income on gross rent. Severe rent stress, defined by households expending more than half of their monthly income on gross rent, leaving very little of their remaining income for health expenses, food, or savings.

67% of Elderly households are low-income in **Avoyelles** Parish

3 of 10 households in **Concordia** Parish are poverty stricken

Rent Stressed Renters



68% of housing units in **Winn** Parish were built before 1980

57% of **Renters** in **La Salle** Parish are rent stressed

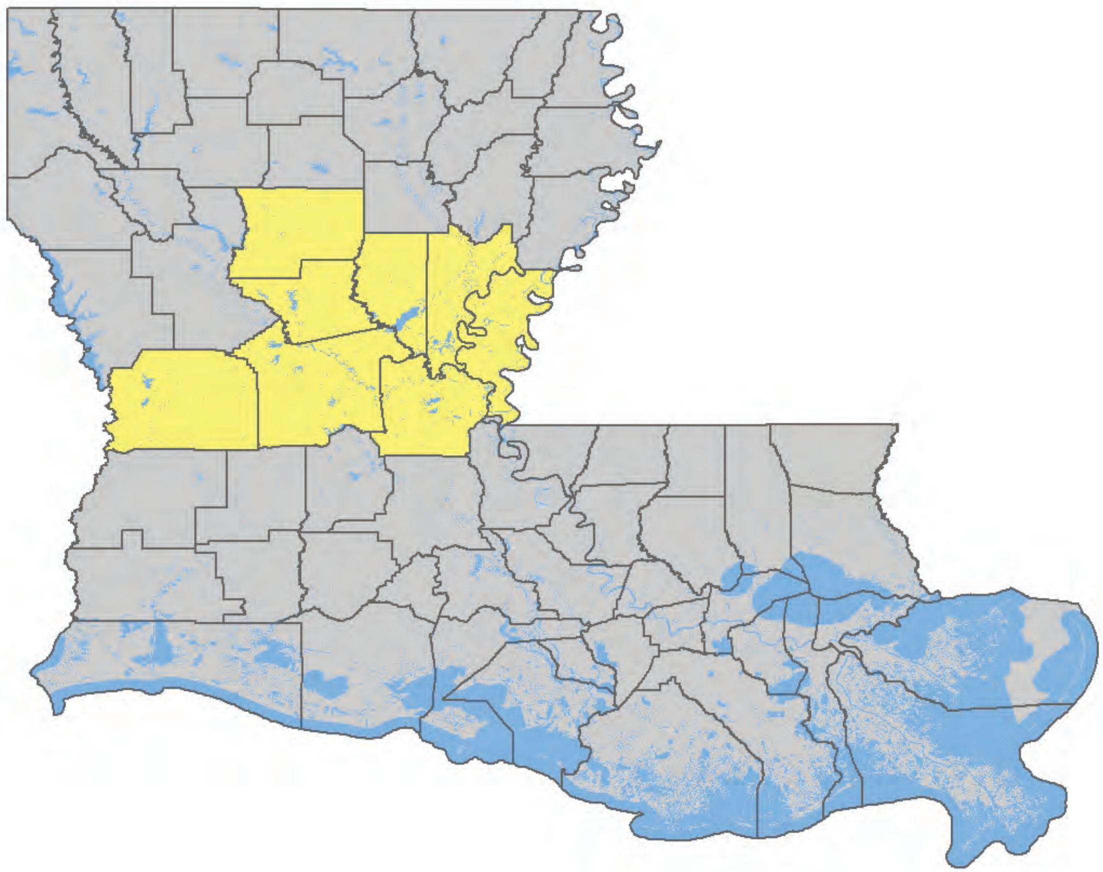
Only **11**% of **Renters** in **Vernon** Parish are Rent stressed

*2014 Housing Needs Assessment of Louisiana | LSU Public Administration Institute

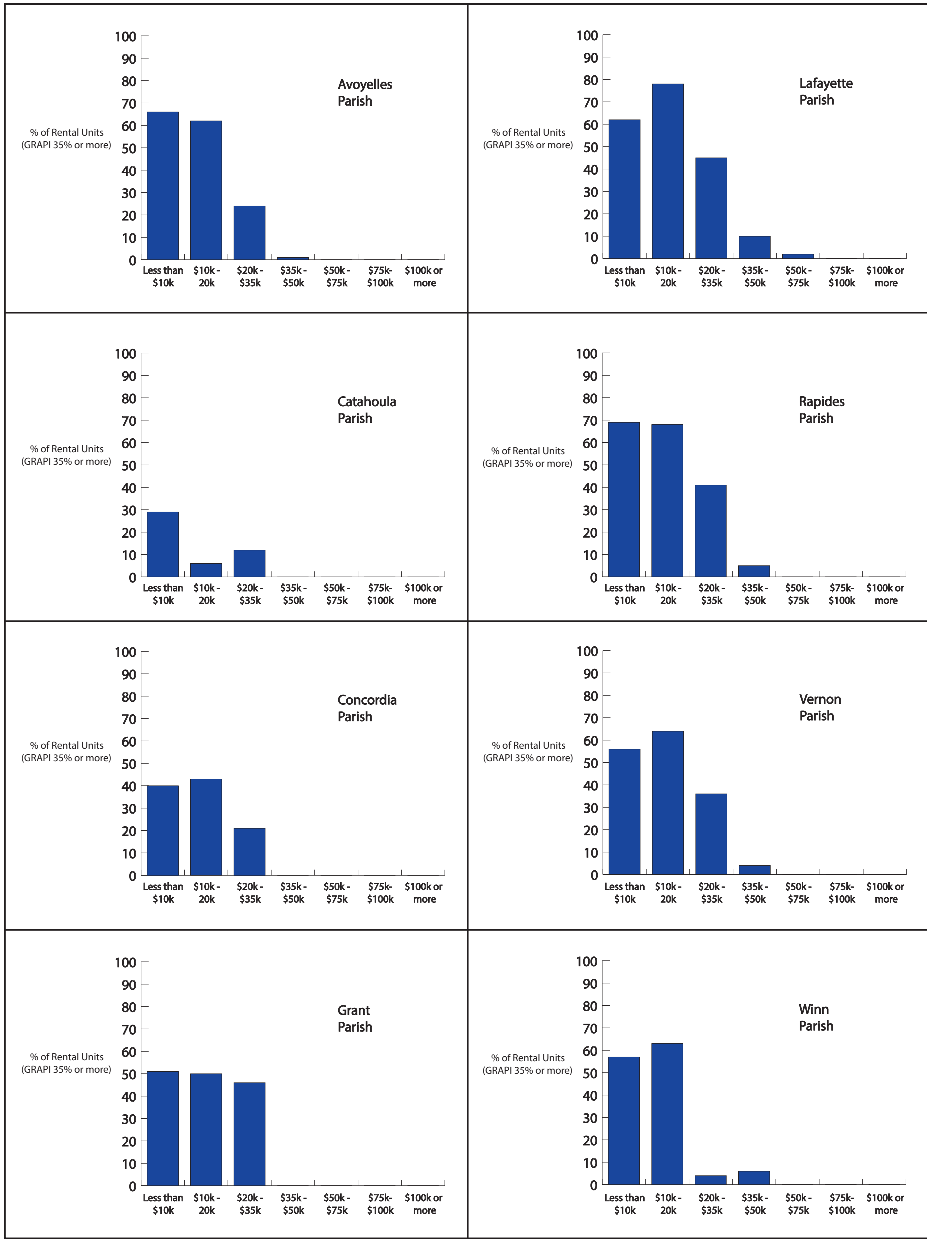
Louisiana Regional Labor Market Area 6

Alexandria

Avoyelles | Concordia | Lasalle | Vernon | Catahoula | Rapides | Grant | Winn



RLMA 6



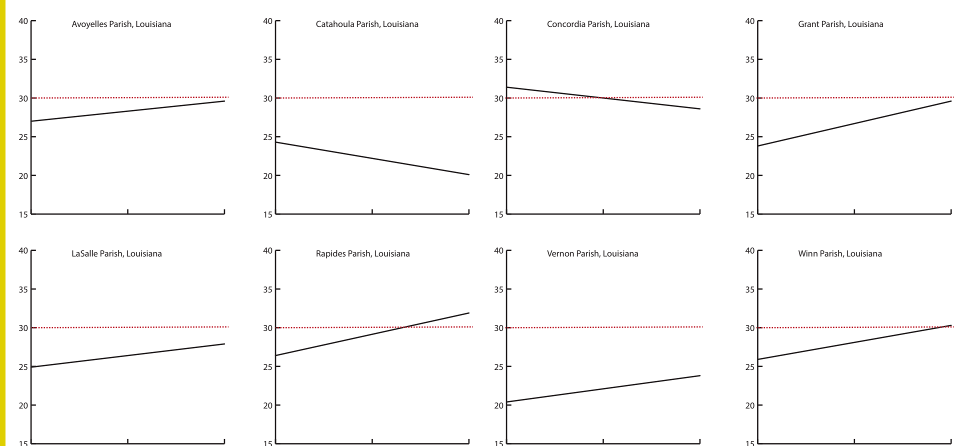
Rental Affordability

As the measurement of residual income suggests, an important consideration of affordability is household income. The charts to the left illustrate the distribution of rent stress by income bracket. As in previous analyses, a GRAPI (gross rent as a percentage of income) of 35 is used.

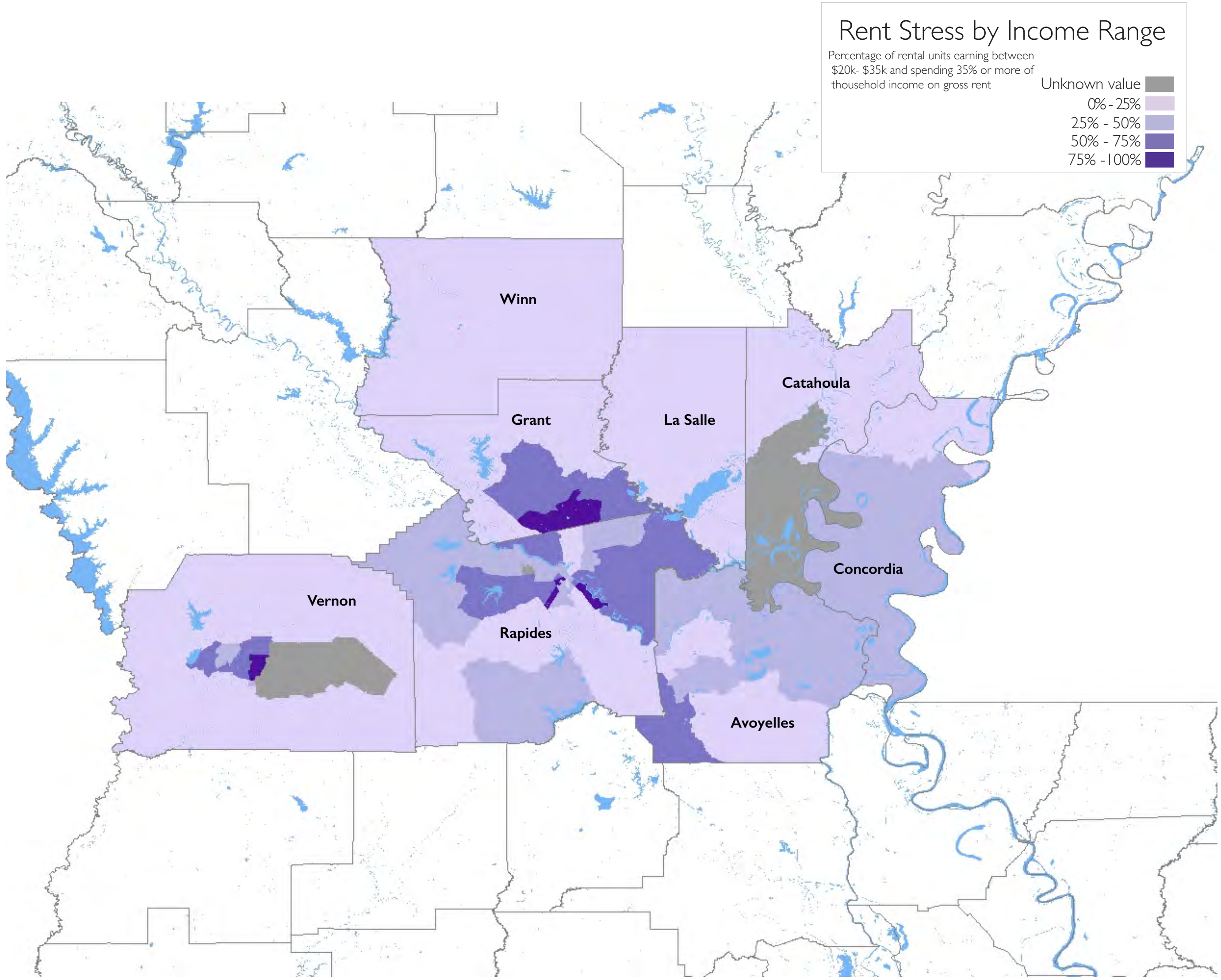
The trend lines below show the change in median gross rent as a percentage of income at the parish level from 1999 to the most recent available data, 2012. The red line is the "affordability threshold". In almost all cases, median gross rents as a percentage of household incomes have gone from below this threshold to above it.

A note on the threshold point for affordability: In the trend lines below the threshold of affordability is 30. This is a conventional measure of affordability, but in previous analyses a GRAPI of 35 is used to indicate rent-stress. The use of 35 has been selected in order to avoid marginal ambiguities; the assumption is that *all* households with GRAPI of 35 are reasonably considered rent-stressed, whereas *some* households in the 30-35 range may not be.

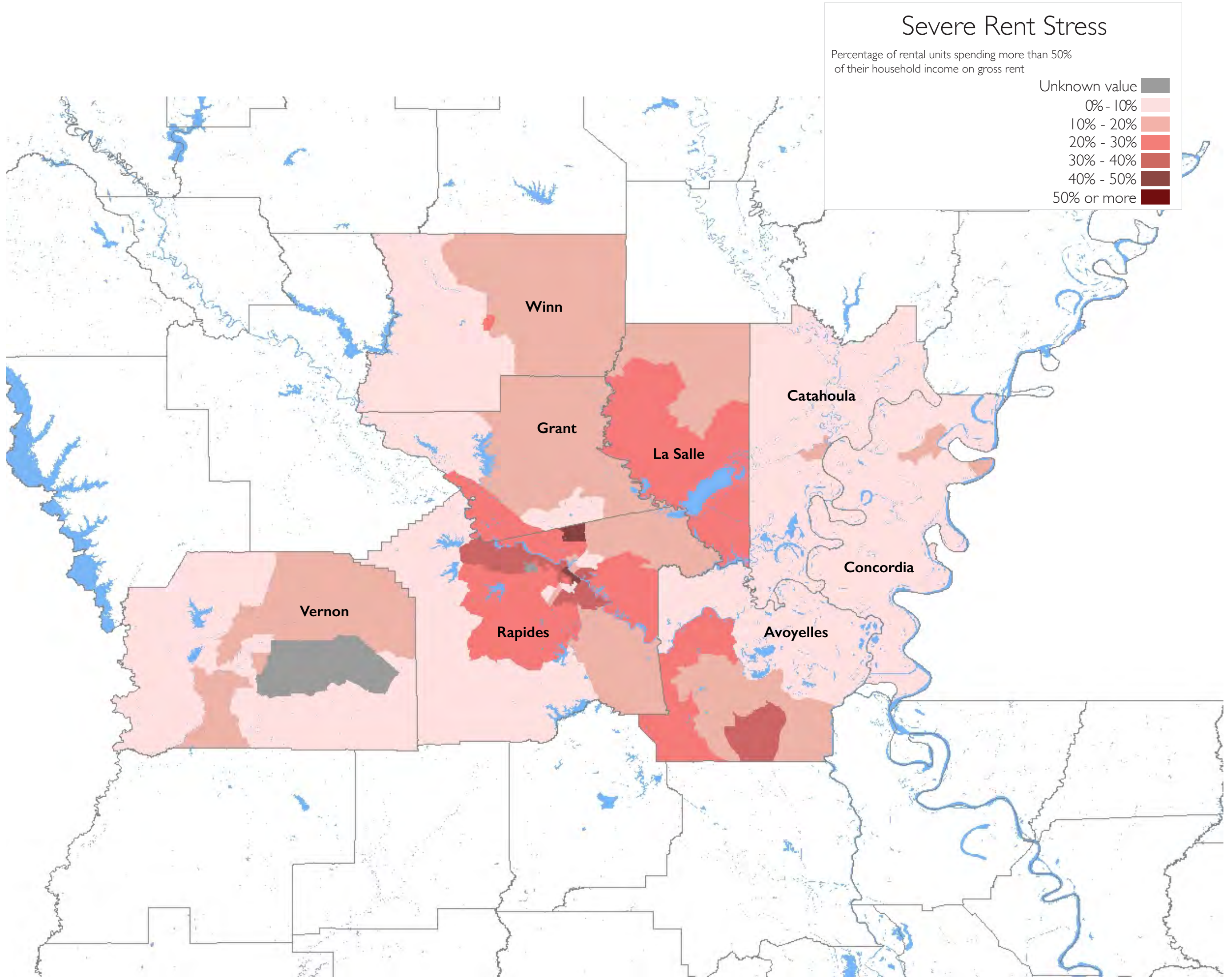
Median Gross Rent as a Percentage of Household Income, 1999 - 2012



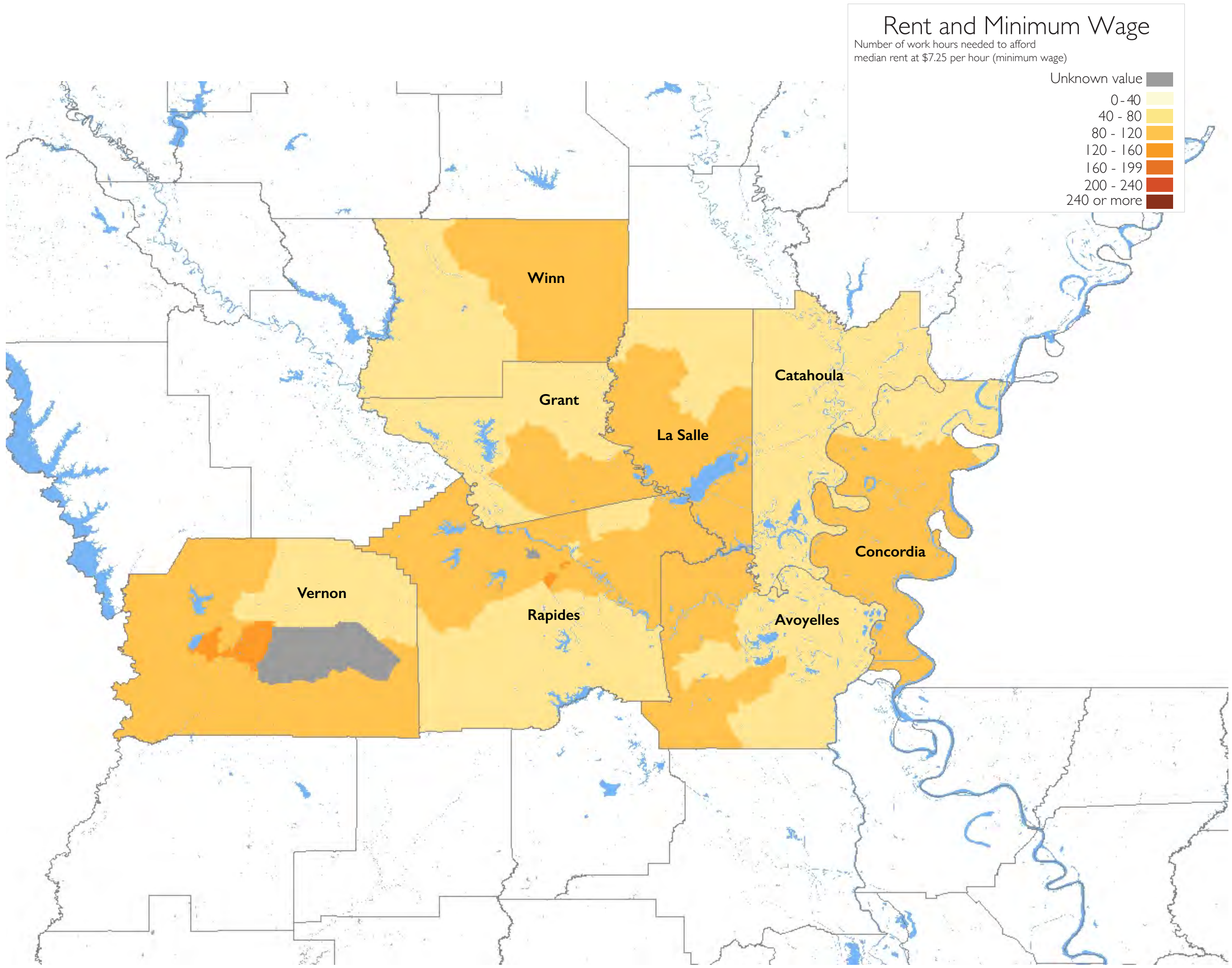
As the column charts on the previous page illustrate, the distribution of rent-stress within income brackets varies by parish. It also varies within parishes. With this map we have selected one income bracket (household income between $20k and $35k) to illustrate the spatial distribution of rent stress for such households. The darker purple areas are those Census tracts with higher concentrations of such households in rent-stressed conditions.



Another aspect that required more extensive consideration was what we call *severe* rent stress, defined by households with a GRAPI of 0.50 or greater. These households expend more than half of their monthly income on gross rent, leaving very little of their remaining income for health expenses, food, savings, or any kind of leisure and entertainment. Of all the rent-stressed households statewide (meaning of all households with a GRAPI of 35 or higher) more than **sixty percent** would be considered severe rent-stressed.

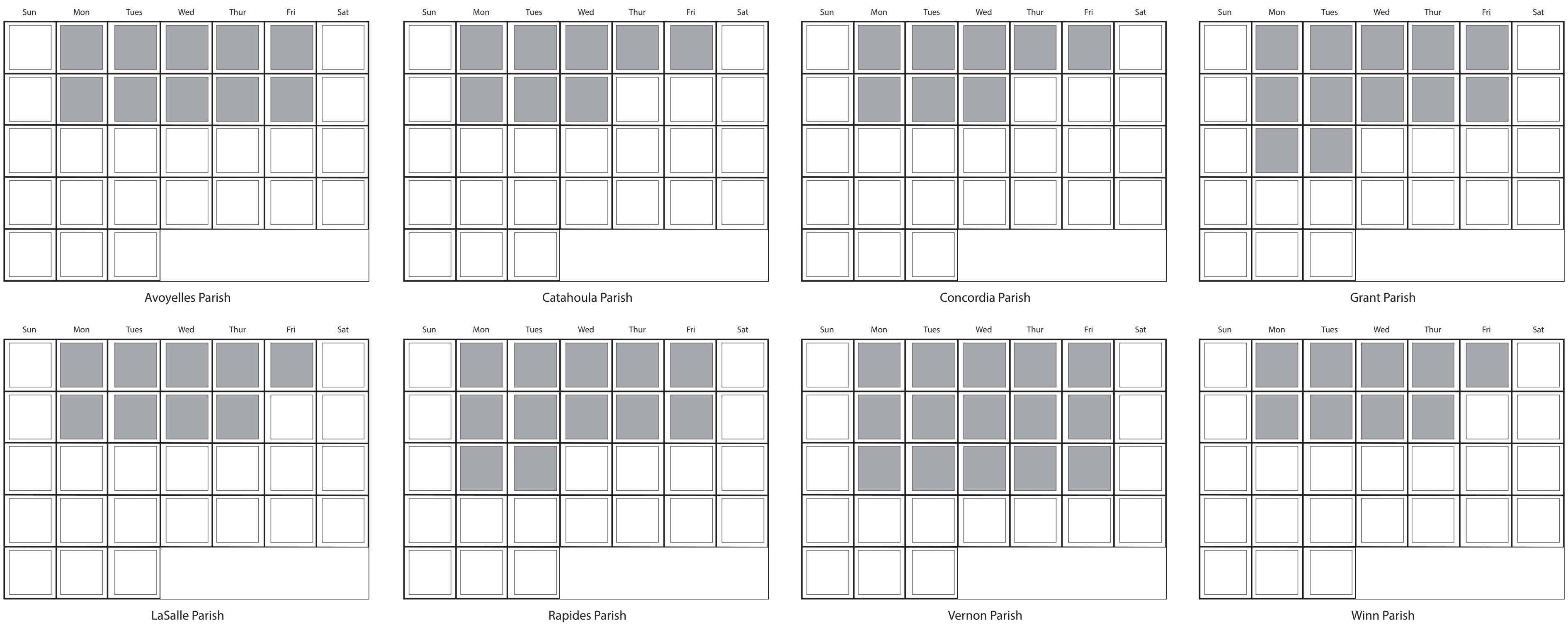


In Louisiana, a person earning the minimum wage working 40 hours a week without taking any unpaid leave (a total of 2,080 hours a year) would earn slightly more than $15,000 annually. Such earners are typically renters. This map illustrates how many hours per month a person earning the minimum wage would have to work to afford the median rent in a given tract.



Workdays Required to Pay Median Gross Rent *at Minimum Wage*

This alternative illustration shows how many eight-hour workdays a person earning the minimum wage must work to earn enough to afford the median gross rent in a parish.



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