

February 23, 2006

President George W. Bush
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

The Honorable Dennis Hastert
Speaker of the House
House of Representatives
Washington, DC 20515

The Honorable Bill Frist
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Minority Leader
House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Minority Leader
United States Senate
Washington, DC 20510

An alliance of community, civil rights and consumer organizations, labor unions, and the financial services industry calls upon the federal government to take the lead in providing substantial and immediate additional assistance to help homeowners affected by the disaster to rebuild. We strongly support the President's proposal of last week to focus \$4.2 billion of the Administration's \$20 billion request on homeowners in New Orleans but significant gaps remain. Many Gulf Coast residents simply will not have access to the financial resources they need to rebuild or repair their homes or begin paying their mortgages. We urge Congress to fund the President's request as soon as possible and then begin consideration of the additional assistance that will be needed. Unless immediate and significant additional action is taken to provide the resources necessary to rebuild damaged or destroyed housing, many homeowners who wish to return will lose their homes.

The scale of the devastation that occurred is unprecedented in our country, and this disaster deserves an unprecedented response. The U.S. Bureau of Economic Analysis recently estimated that Hurricanes Katrina and Rita wiped out residential capital stock totaling \$67 billion, of which only \$37 billion was insured. These estimates do not include the costs related to the damage wreaked upon the underlying infrastructure by the storms.

Delays of additional assistance extend the suffering of our fellow citizens and neighbors, and lead to an increase in the deterioration of their homes, communities, and the region. The leadership and financial support of the federal government, with the clear cooperation and participation of state and local governments, are essential to ensuring that the homes and communities in the Gulf Coast region come back to life.

These conclusions are based on the direct experience of neighborhood leaders, the labor unions, and financial institutions that have been directly involved and working together on the ground to revive Gulf Coast communities devastated by the Hurricanes. We see unmistakable evidence every day that many homeowners who wish to return and rebuild are unable to do so. If this continues, many communities will become little more than a collection of abandoned properties. Lower and moderate income residents, in particular, will have nowhere to go. Even those who were fortunate enough to have sufficient flood insurance or other significant financial resources prior to the hurricanes will suffer diminished property values and the other negative consequences of being surrounded by abandoned and

damaged properties in devastated neighborhoods. The long term harm to the regional economy will ultimately cause even neighborhoods that were largely unaffected by Katrina to decay as jobs and economic opportunities evaporate. This does not have to happen.

Every effort must be made, consistent with proper flood plain management, to encourage property owners to return to their neighborhoods and rebuild their homes. In a typical disaster, hazard insurance proceeds provide owners the capacity to rebuild. After Katrina, tens of thousands of Gulf Coast homeowners sustained damage that – through no fault of their own – was not covered by insurance because they had no reason to believe that they were at high risk of flooding. Many others did have flood insurance but will receive payouts that fall far short of the costs of rebuilding.

The Community Development Block Grant funds and additional funding proposed by the President will help to provide assistance to the hardest hit homeowners. These funds should be targeted to the under- and uninsured homeowners who want to rebuild. Consideration must also be given to providing adequate compensation to those homeowners who will be unable to rebuild their homes. Finally, other innovative forms of assistance will also be necessary, including additional grants, subsidized rehabilitation loans and/or loan guarantees to homeowners in flood-affected areas, and other initiatives that enable the communities to rebuild.

This effort must be a true public-private partnership. A successful partnership can only be led by the federal government, with cooperative participation by state and local governments. Federal assistance that shores up these communities and gives them the prospect of a stable future will assure that needed private capital can sustain a long-term recovery. The organizations listed below stand ready to work cooperatively with you as you move forward in putting forth proposals that will assist homeowners to return, rebuild and revitalize the communities that were so devastated by these disasters.

Thank you.

Sincerely,

AFL-CIO
ACORN
Catholic Charities USA
Center for Responsible Lending
Coalition for Fair and Affordable Lending
Consumer Federation of America
Consumer Mortgage Coalition
Housing Policy Council, Financial Services Roundtable
Housing Education and Economic Development of Mississippi
Independent Community Bankers Association
Leadership Conference on Civil Rights
Mississippi Center for Justice
Mortgage Bankers Association
National Association for the Advancement of Colored People (NAACP)
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center
National Fair Housing Alliance
National Home Equity Mortgage Association