

**STATEMENT OF PAUL R. TAYLOR JR.,  
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SUBMITTED TO THE SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY,  
U.S HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES**

**FIELD HEARING THURSDAY, FEBRUARY 22, 2007; NEW ORLEANS, LOUISIANA**

**“SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF COAST REGION POST KATRINA: WHY  
NO PROGRESS AND WHAT ARE THE OBSTACLES TO SUCCESS?”**

**Introduction & Background**

Thank you madam chairwoman for the opportunity to testify today and submit this statement regarding the affordable housing crisis that New Orleans is facing in the aftermath of Hurricane Katrina.

I am here today testifying as a follow-up to an invitation extended by Chairwoman Waters during the Congressional Black Caucus Foundation’s 35<sup>th</sup> Annual Legislative Conference. The invitation was to develop solutions for the rebuilding of New Orleans, as part of an outcome of “The Rebuilding Process in New Orleans: Strategies for Leveraging the Public – Private Partnership” forum held during the ALC.

I serve as principal and managing member of SRP Development, an Ohio-based Development and Construction firm. SRP Development’s core business centers on urban and rural communities, with our concentration on faith-based communities, community development corporations and historically central-city communities.

In the 1980s, SRP and one of our affiliated companies pioneered financial products and services to address the challenges of providing affordable homeownership in urban communities of largely low- to-moderate income residents. We identified, addressed, and created solutions specifically focused on helping financially limited citizens purchase homes with non-traditional mortgage products. Homeownership has long been the first step in sustaining and/or revitalizing communities, especially those dominated by transient rental residents. As you can imagine, financial institutions were very reluctant to lend money to citizens typically earning wages below that of the area’s median income and most were reluctant to become truly involved in offering products for affordable homeownership under the belief that the potential challenges outweighed the benefits. We now know that is untrue as an unprecedented number of our Country’s citizens are able to obtain mortgages for affordable housing and the programs we developed have been duplicated across the country and are now standard financial institutions products and services.

The answer to obtaining this success was earmarked by forming a strategic alliance with public institutions such as Fannie Mae, the Congressional Black Caucus Foundation and local city governments; and private institutions such as regional banks and faith-based entities, e.g. churches, synagogues, community development corporations. This experience in writing sustainable, successful programs to address specific homeownership challenges is what brings me to New Orleans today.

**Overview**

As we are all very well aware, there are many, many challenges facing New Orleans and its residents in rebuilding this wonderful city. My focus today is to address the affordable homeownership crisis. Substantial portions of African American homeowners and renters in the historically African American communities in New Orleans have been impacted by severe damage to their existing homes or rental

properties or they have completely lost their homes due to Hurricane Katrina and its aftermath. Not only did they lose the physical structure they called home, they also lost their prized possessions and belongings. These were personal, treasured items that can never be replaced. However, along with these personal items that were a part of the home itself, they are facing financial ruin because their financial stability relies on the value of their real estate and many of their records such as mortgages, deeds and title documents were destroyed or lost in the catastrophe. Without these evincing records, property owners struggle to prove ownership or title to real property and therefore struggle for access to title insurance and corresponding lending in connection with the rebuilding effort.

## **Community Impact**

There are several challenges that need to be addressed to allow the rebuilding effort to progress. One of the major challenges is the lack of title records, which impacts the rental community, as well as homeowners of New Orleans. The lack of title is a major concern and will have a bearing on other rebuilding efforts underway. Based on my development and real estate experience, title challenges are a major hurdle that will need immediate resolution to allow the funding flow to reach the affected communities.

Our research has shown that the lack of reasonable insurance for the replacement units will be another major challenge to overcome. The insurance impact for a typical homeowner is averaging \$7,500 to \$10,000 per year. This is significant to homeowners that are on fixed incomes and for the senior population. This amount of money will influence the quality of living and will force a decision to rebuild elsewhere where the cost of housing insurance will be manageable.

The financial impact of closing the gap for replacement housing will be enormous. The typical homeowner may be looking at a total subsidy of \$80,000 to \$100,000 after all formulas are utilized from the different recovery assistant programs. The cost of quality, compliant replacement housing will range from \$175,000 to \$225,000 per house. This will leave a cash gap of \$95,000 to \$145,000 per resident. This model will hold true for the rental community, which in return will create higher rent ceilings for families needing affordable housing in New Orleans.

The governmental process for assisting the least-served communities is very slow due to the amount of structural rebuilding of impacted families centered on property title, insurance, credit capacity and income limitations. These challenges will continue to cause the low income and historically minority communities to lag behind in the rebuilding efforts.

## **SRP Recommended Solution to the Challenge**

In an effort to resolve the issues raised SRP is proposing the following:

### Title Issue

As a planned solution to this challenge, SRP has proposed to work with Stewart Title Guaranty Company in concert with members of the Congressional Black Caucus to provide access to title insurance and to propose legislation, which establishes a title mitigation fund. The purpose of the fund would be to provide a secondary source for the title alliance to fund claims brought by owners against title to real property that has been redeveloped on behalf of new settlers. I am pleased to announce that Stewart Title Guaranty has entered into a Memorandum of Understanding to start the work product.

### Insurance

SRP is working to develop a similar solution for title insurance.

### Funding

SRP is working with Freddie Mac, Fannie Mae and HUD in developing lending programs and processes that will accelerate the redevelopment effort. In addition to the above, SRP is working with Financial Freedom Senior Funding Corporation to bring the reverse mortgage loan program on a large scale, to the affected communities in New Orleans.

SRP and its partners are setting a target of 10,000 housing loans over the next decade using the reverse mortgage form of funding. The reverse mortgage loan program can bridge the funding gap previously mentioned and, once in place, would eliminate housing payments for the borrower. This would free up needed capital to fund other needs in the family.

### Government-Sponsorship

SRP has offered to partner with Dillard University Community Development Corporation to act as a central stakeholder in the Gentilly community. This relationship will allow SRP to bring its technical resources and construction experience to the area. In creating this partnership, SRP would work through the existing construction community that has ownership in the rebuilding effort. This process will create substantial jobs in the community, will allow business development to occur, and will have a positive economic influence as wages are earned and cycled into the local community. I am pleased to announce SRP is working with the administration of Dillard University in developing a request for qualifications to add additional experience to our team.

### In Closing

My resume speaks to SRP's ability to manage our efforts. I believe that if everyone at the Federal, State, and local levels communicates in a proactive manner we will be able to birth new, redevelopment and rebuilding solutions for New Orleans that will in turn become a foundation to build upon in other communities in our Nation. I will issue my formal update during the 2007 Congressional Black Caucus Foundation's Annual Legislative Week as part of Chairwoman Waters' Brain Trust sessions.

Thank you madam chairwoman for the opportunity to speak to here today.

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