

Good news... Bad News

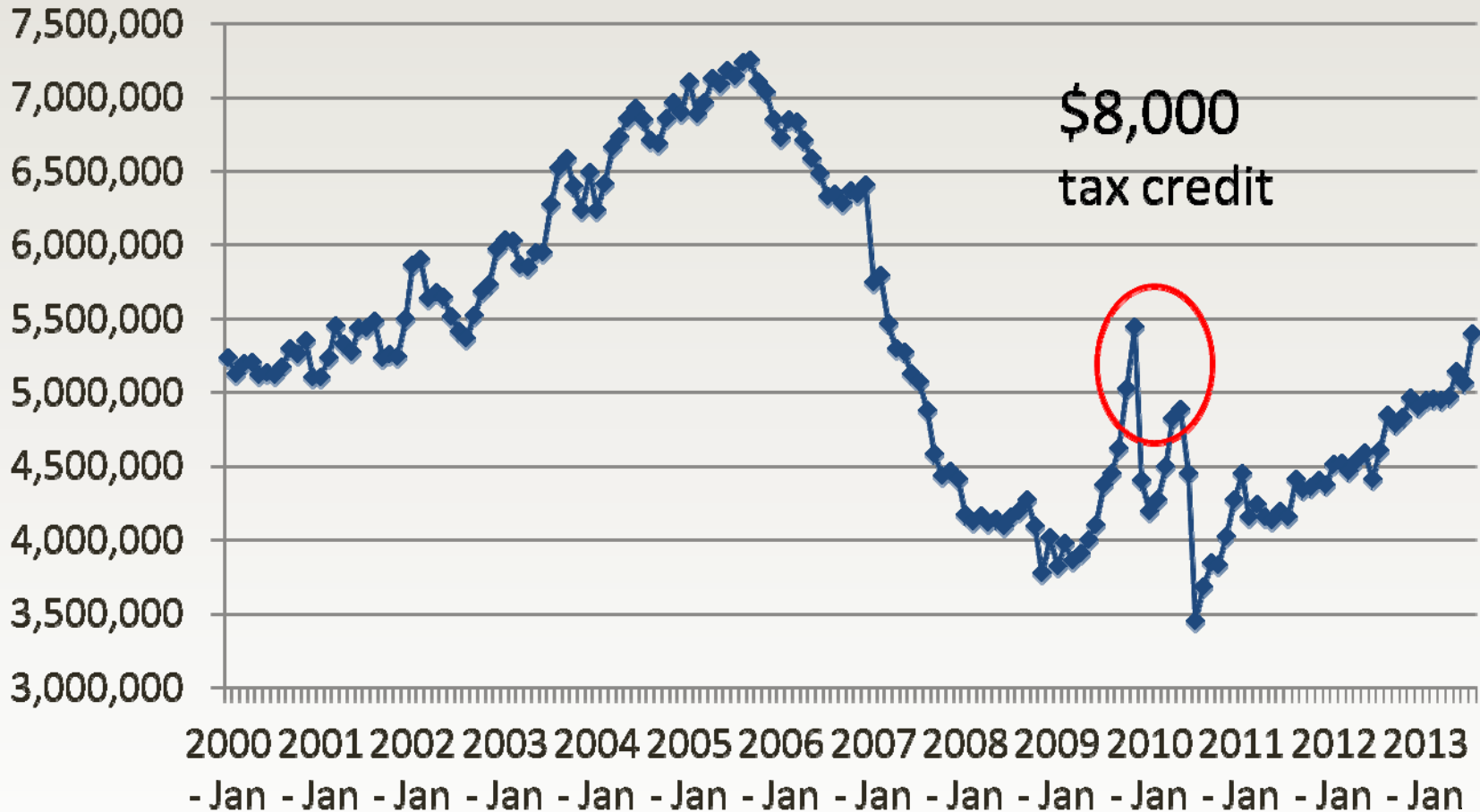
Good Economic Trends

Bad Regulations Looming

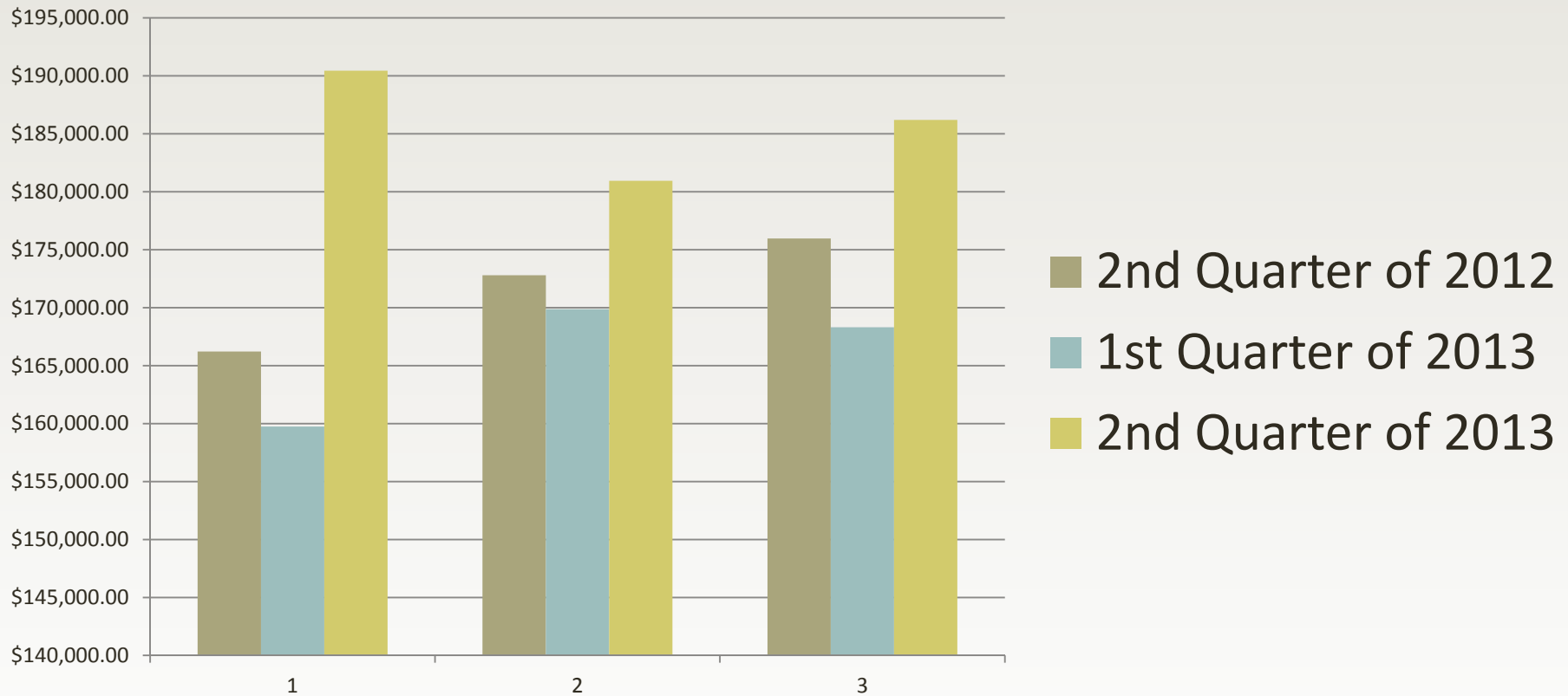
Economic Forecast



National Economic Trends



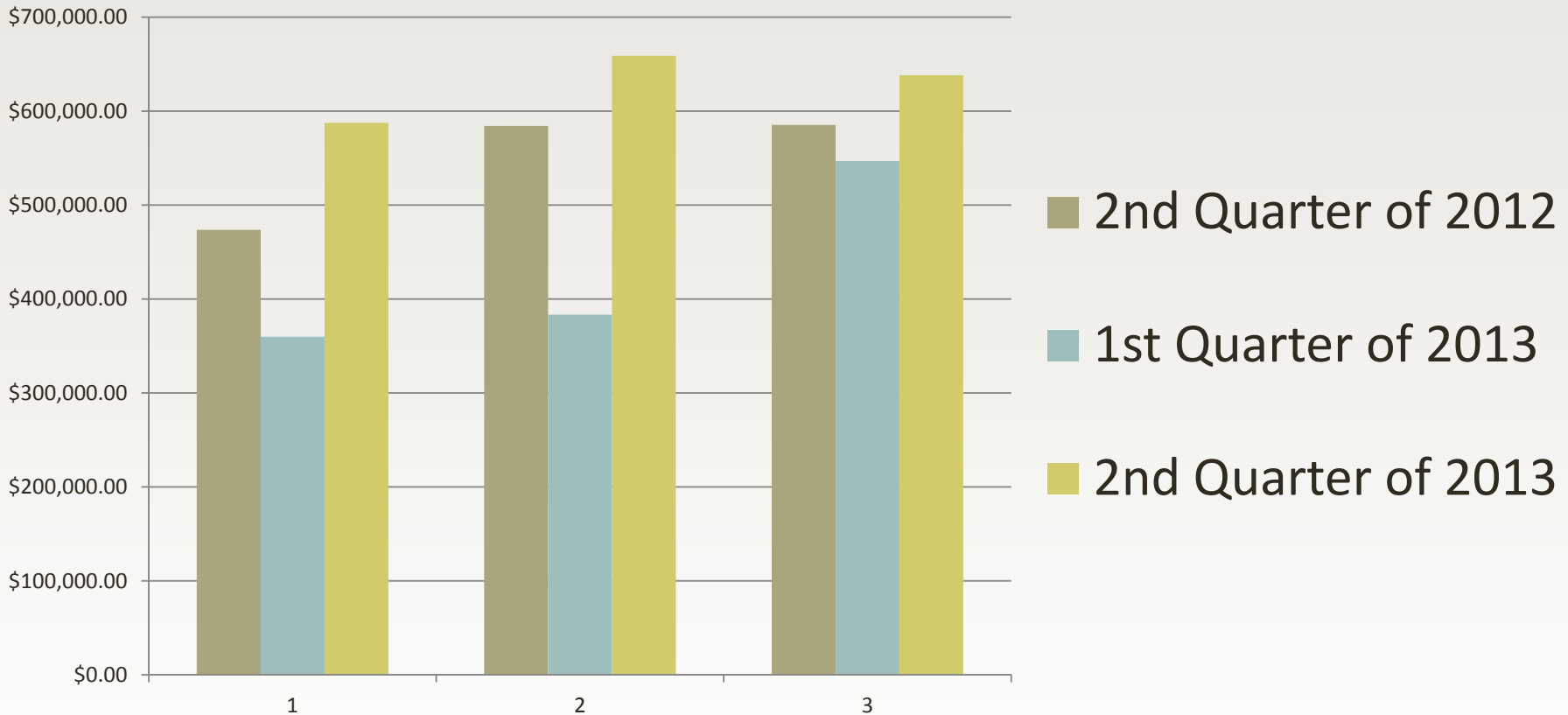
Louisiana: Average Sales Price



Louisiana: Number Houses Sold



Louisiana: Total Sales Volume

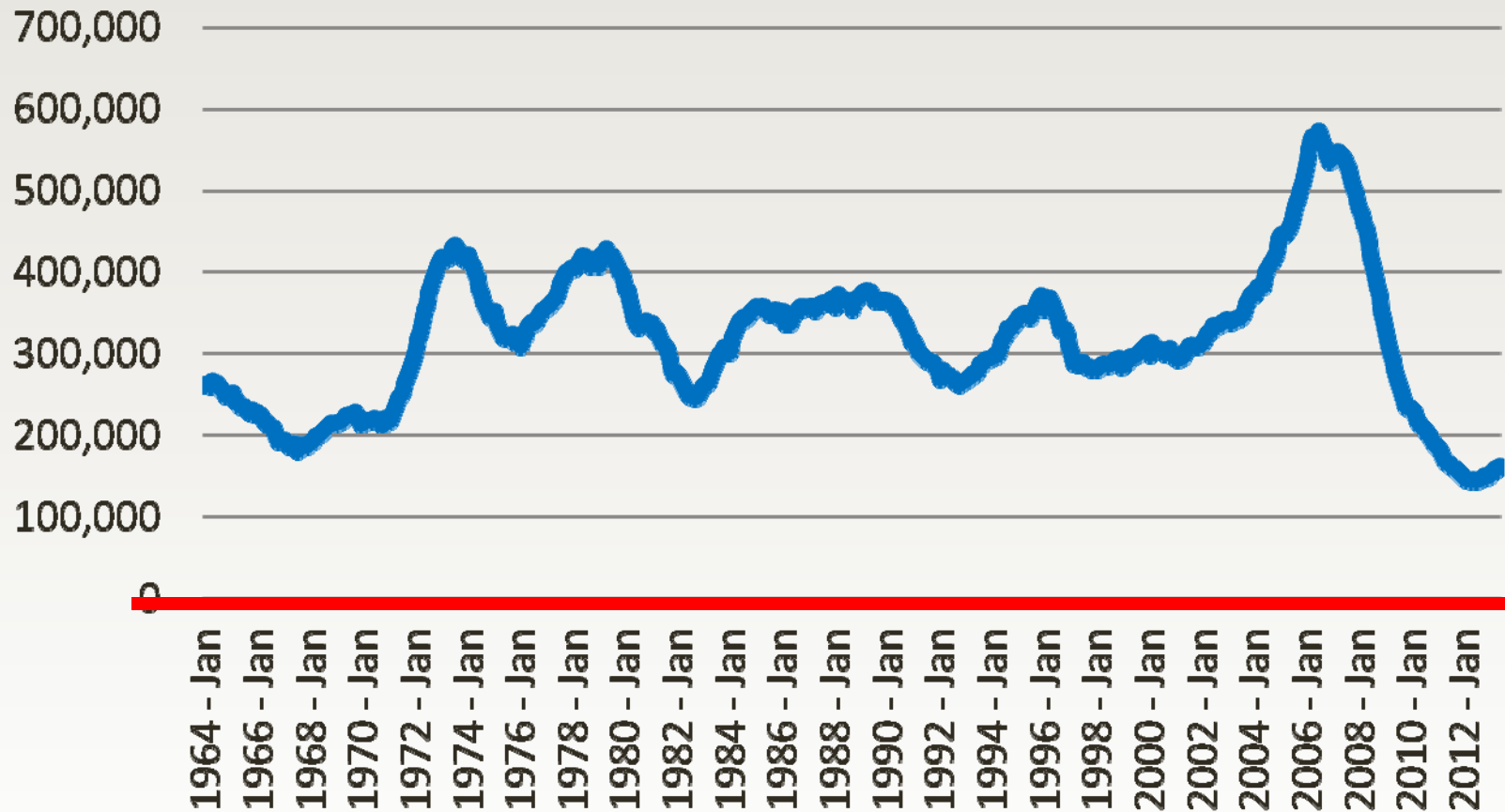


Existing Home Inventory (Bouncing at 13-year lows)

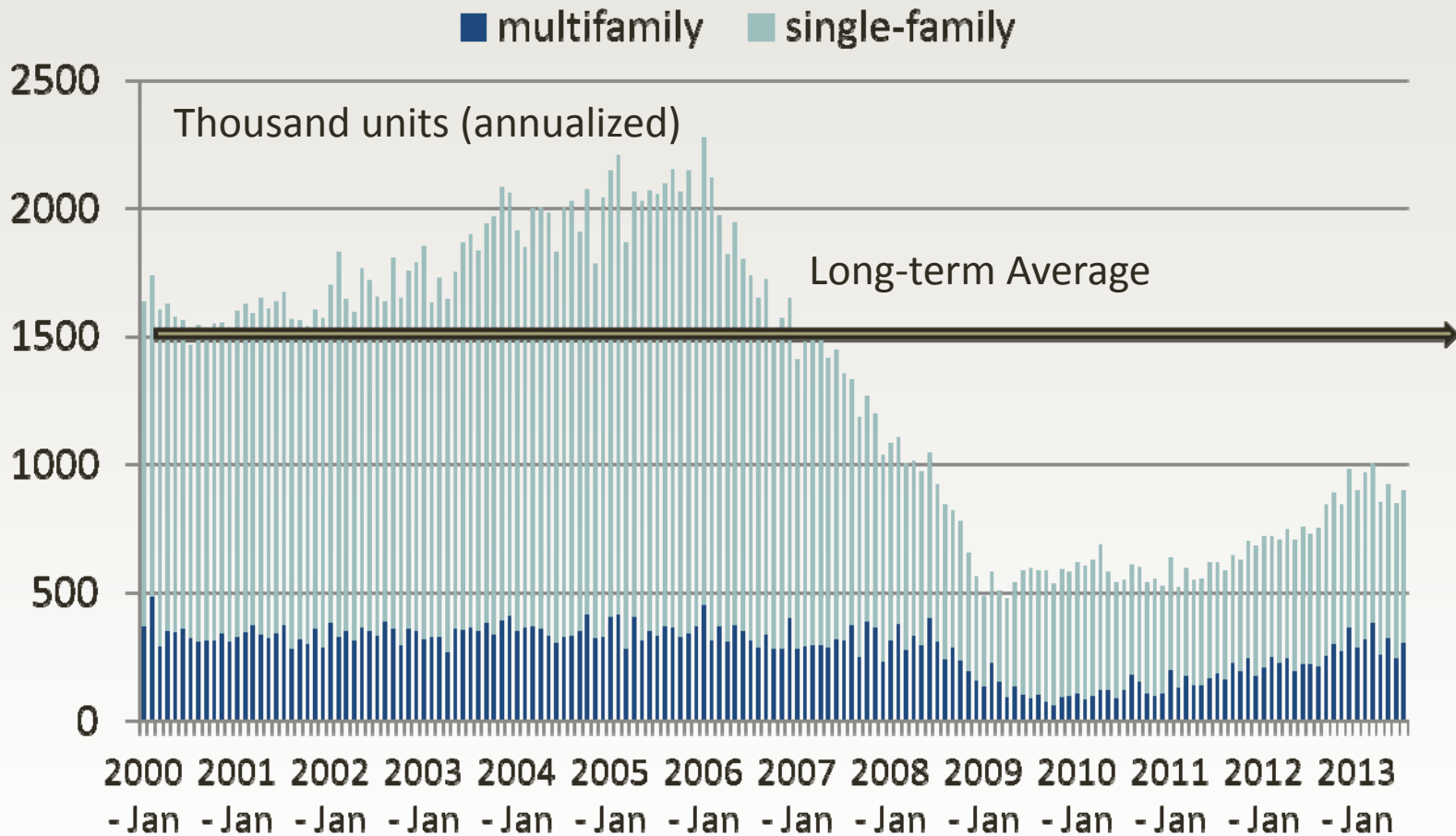


Visible New Home Inventory

(Newly Constructed Homes Inventory at 50-year low)



Housing Starts ... Need to Reach 1.5 million soon or persistent housing shortage



30-Year Fixed Mortgage Rate (been below 6% for 5 years)



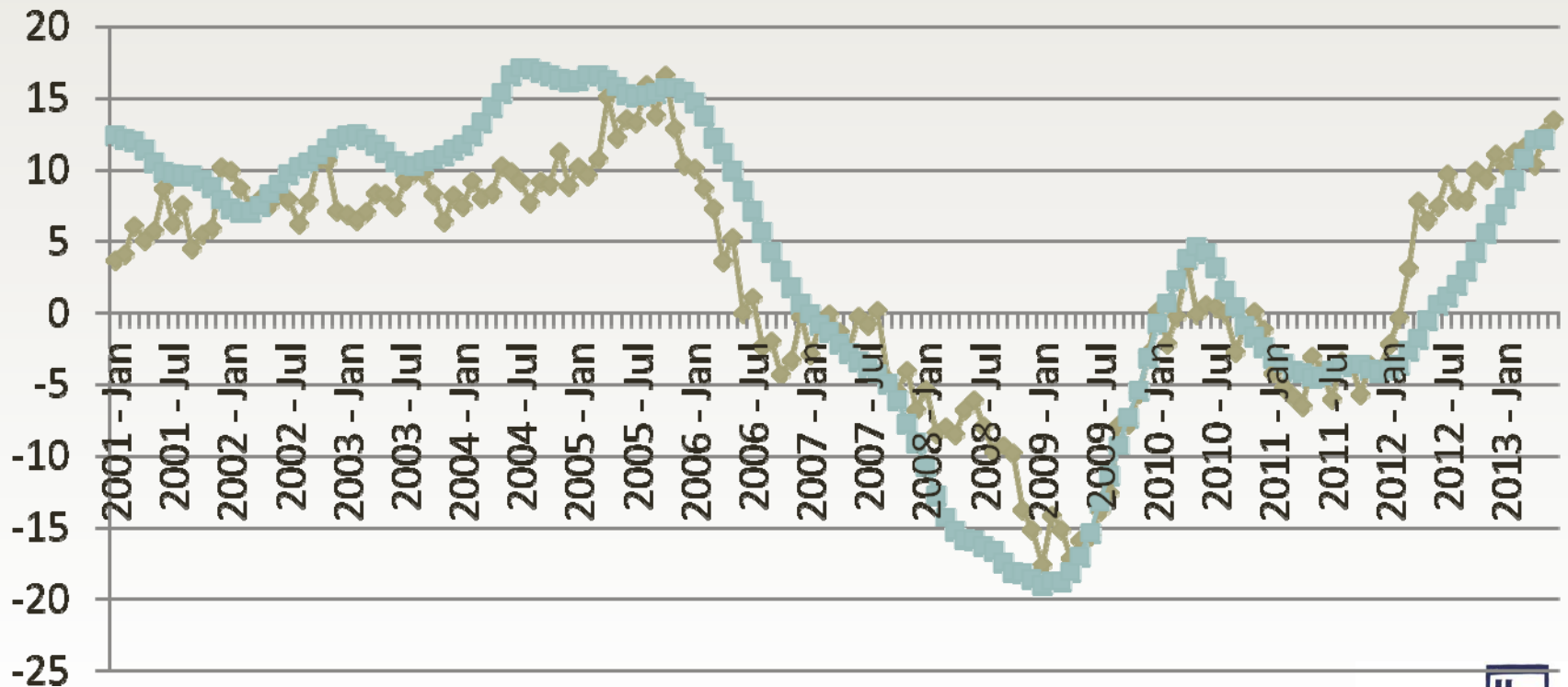
Rising Home Prices

Because of High Demand and Under Supply

(% change from one year ago)

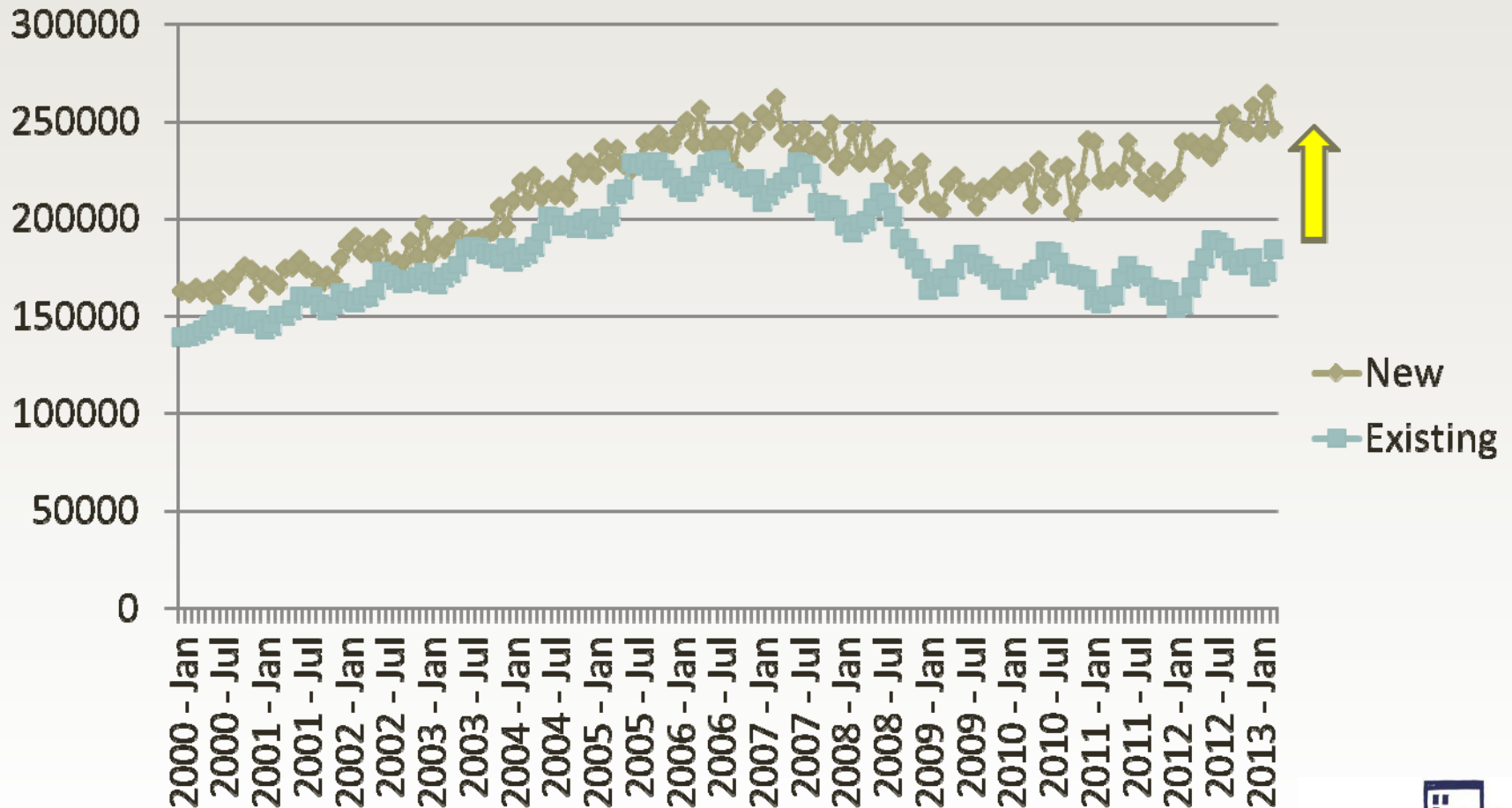
Blue = NAR Median Price

Red = Case-Shiller Index

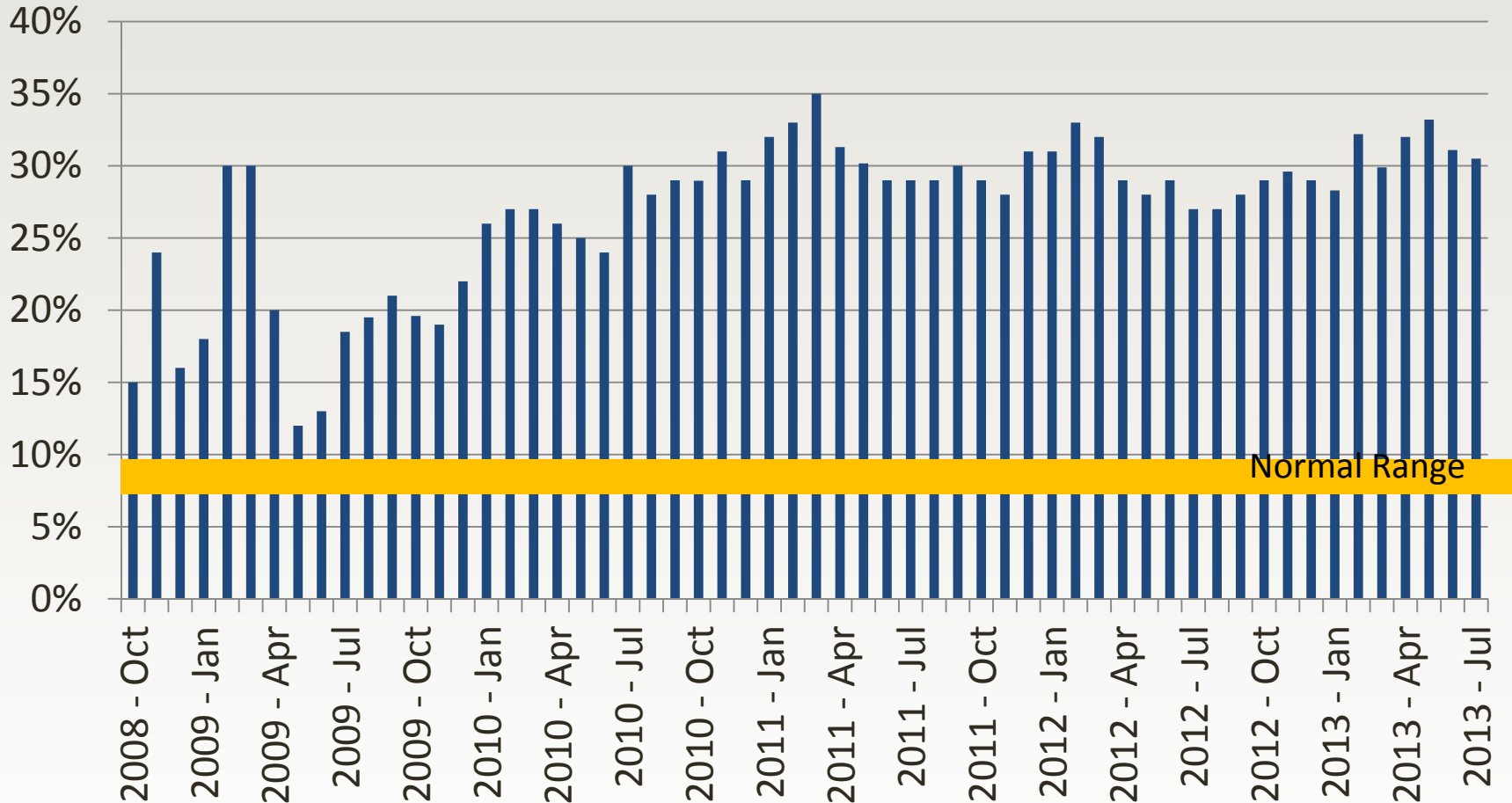


Existing vs. New Home Price ... Big Gap

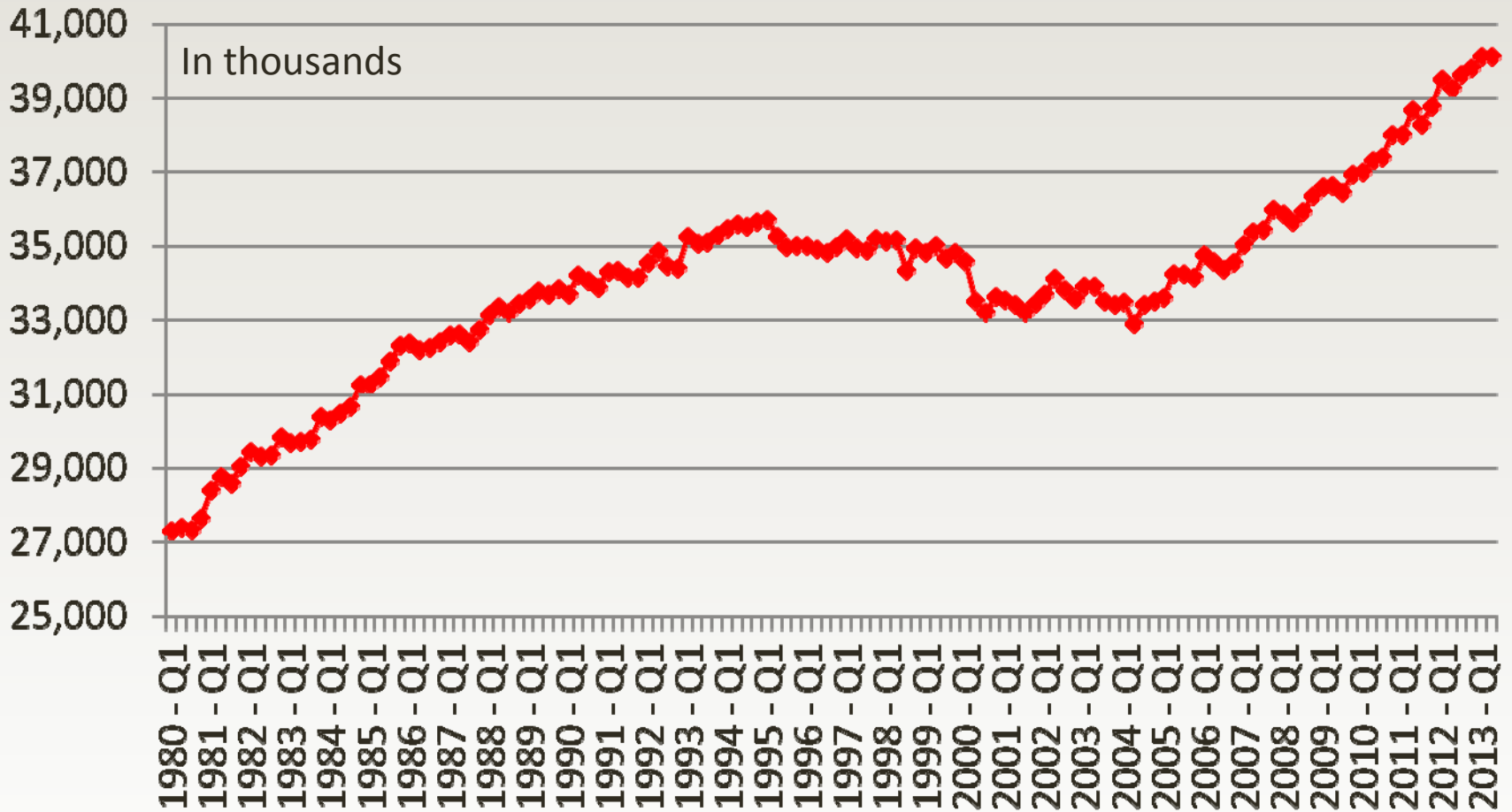
(single-family homes)



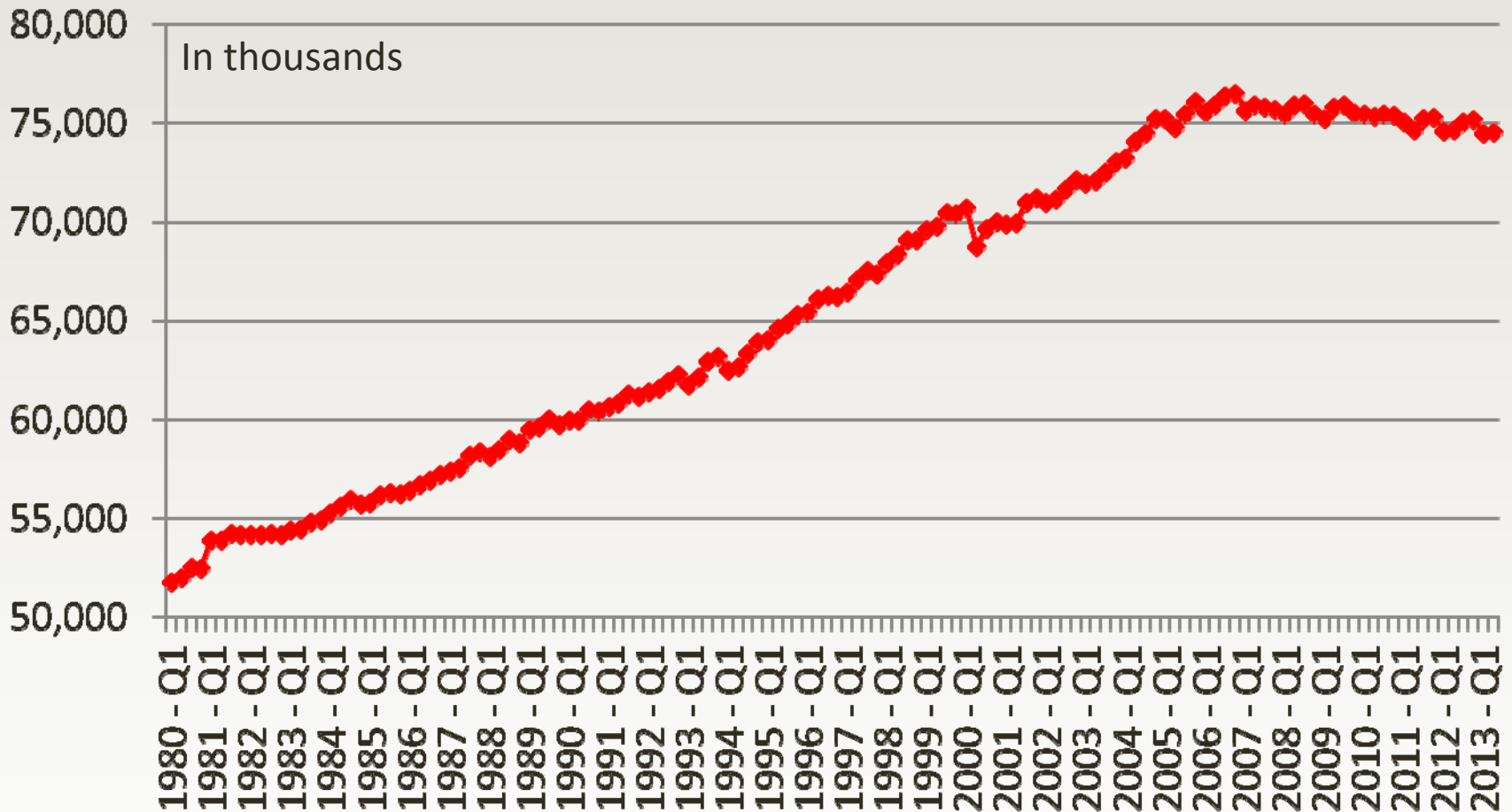
All-Cash Buyers (% as total)



Renter Households



Homeowner Households has not Grown since 2006 ... but Primed to Grow



Forecast

	2011	2012	2013 Forecast	2014 Forecast
GDP Growth	+1.8%	+2.1%	+1.6%	+2.6%
Existing Home Sales	4.3 million	4.7 million	5.1 million	5.2 million
Housing Starts	610 K	780 K	1.0 million (not enough)	1.2 million (not enough)
Existing Home Price Growth	- 4%	+ 6%	+ 11%	+ 6%
30-yr Mortgage Rate (year-end)	4.7%	3.5%	4.6%	5.2%



Risks to Forecast

- Downside ... Washington Policies
 - Rising g-fees and FHA insurance premiums
 - QRM 20% down payment requirement?
 - PATH (remove government guarantee on mortgages)?
 - Trim mortgage interest deduction?
 - Capital gains tax on home sale?
 - Price Control of 3% Cap on Fees for Mortgage Origination (*escrow, title, loan level price adjustment, many unclear items*)
- Downside ... College Student Loan Debt





National Flood Insurance Program (NFIP) Info

Understanding the Biggert-Waters Flood Insurance Reform Act of
2012 (BW12)



Efforts to Delay

Legislative

- U.S. House of Representatives passed an amendment to Homeland Security bill that would delay Implementation for one year
- Senator Landrieu has introduced the SMART NFIP Act
- Senator Vitter has introduced the Responsible Implementation of Flood Insurance Reform Act
- Congressman Richmond and Congresswoman Waters, along with rest of LA House delegation, has introduced legislation to delay problematic portions of NFIP changes
- Senator Landrieu introduced amendments to both Water Resources legislation and Farm Bill to delay rate hikes for three years. Due to parliamentary procedures, they did not receive a vote but drove awareness
- Delay due to inability to fund Affordability Study



BW-12: What's Changing

- Subsidies to be phased out
 - Non-primary residences
 - Business properties
 - Severe repetitive loss properties (1-4 residences), and properties where claims payments exceed fair market value
- New policies to be issued at full-risk rates
 - After the sale/purchase of a property
 - After a lapse in insurance coverage
 - After substantial damage/improvement
 - For properties uninsured as of BW-12 enactment
 - As new or revised Flood Insurance Rate Maps are issued (grandfathered rates planned to be phased out over 5 years)

Pre-FIRM:

Built before the community's first Flood Insurance Rate Map became effective and not been substantially damaged or improved

Subsidized Rates:

Pre-FIRM properties that are in Zone D or in Zones A and V that are not rated with an elevation certificate.



Changes for Non-Primary Residences

- Changes effective January 1, 2013, at policy renewal
 - Subsidized premium rates for “pre-FIRM” properties in high-risk (A or V) zones will be phased out
 - Rates will increase 25 percent per year until they reflect the full-risk rate.

Pre-FIRM:

Built before the community’s first Flood Insurance Rate Map became effective and not been substantially damaged or improved

Non-primary residence:

A building that will be lived in for less than 80 percent of the year





Changes to Other Subsidized Rates

Changes planned to start October 1, 2013

- Rates on pre-FIRM commercial buildings in SFHAs
Increase by 25% a year until they reach full-risk rates.
- Rates for repetitively flooded buildings
 - known as Severe Repetitive Loss (properties) of one to four residences increase 25% a year until they reach full-risk rates
 - Includes buildings with cumulative flood insurance payments that meet or exceed fair market value





Direct Move to Full-Risk Rates

Changes planned to start October, 2013 for pre-FIRM properties in Zones A, D or V

- After the sale/purchase of a property
Subsidized rates can no longer be assigned to the new owner.
- After a policy lapse
Policyholders should know that allowing a policy to lapse could be costly.
- When a new policy is issued
Policies for buildings uninsured as of the date BW-12 was enacted





What about Grandfathering?

The charging of insurance premiums based on a prior FIRM – known as “grandfathering” - will be phased out with Section 100207

- When a community receives new, effective Flood Insurance Rate Maps (FIRMs):
 - The Biggert-Waters Act Section 100207 calls for phase-out of grandfathering discounts for properties shown on Flood Insurance Rate Maps that are updated
 - New rates will be gradually phased in at 20% per year for five years
 - Section 100207 Implementation anticipated in late 2014

At this time, the future status of the *Preferred Risk Policy Eligibility Extension* has not been determined. PRP Extension rates will go up 20% starting October 1, 2013.





What About Today's New Policies?

- Until specifically addressed as BW-12 is implemented, new and renewing policies are still eligible for:
 - **Pre-FIRM subsidies (except pre-FIRM non-primary residences)**
 - **Grandfathering**
 - **Extension of Preferred Risk Policy Eligibility**
- FEMA will clearly communicate when these subsidies and discounts are no longer available, as BW-12 implementation moves forward.





Key Takeaway

- If your clients are rebuilding or building new:
 - Let them know that Flood Risk changes over time
 - Help inform them that their rebuilding decisions now can affect their long term flood insurance premiums
 - Help inform them that elevating their properties and ensuring the right type of construction helps decrease their risk and reduce future flood insurance premiums
 - Applies to both commercial and residential properties





BW-12 Timeline

DATE	BW-12 IMPLEMENTATION STEP
July 6, 2012	BW-12 becomes law; reauthorizes the NFIP for five years and requires FEMA to eliminate discounts and subsidies
January 2013	Subsidized rates phased out for non-primary residences
February 2013 and ongoing	FEMA anticipates issuing additional guidance and details on BW-12 implementation
October 2013	Subsidized rates anticipated to phase out for business properties, SRL properties, and others. Move to full-risk rates after sale/purchase of property, substantial damage/improvement or policy lapse.
Late 2014	FEMA anticipates implementing phase-in of full risk rates for properties affected by map changes

Concerns

- Local Economies and Tax Base
- Commercial and residential properties impacted by flood zone



Steps Moving Forward

- Reinstate Grandfathering
- Must be for properties, not policy holder
- Only for properties built to required elevation at time of construction with maintained insurance and no repetitive loss
- Delay of Biggert-Waters to allow time for correction and affordability analysis



Good News and Growth for Louisiana



Louisiana Economic Update

First Quarter 2013

- Natural gas industry has expanded in Louisiana
- Housing prices increased by 6% in 2013
- Bank equity capital grew 4.6% while the rest of the United States grew by 4.0%
- Louisiana is the most improved state for doing business
- Employment grew by 1.3%, adding 40,000 jobs. Second largest percentage of growth in the United States
- 20,000 new residents have moved to Louisiana in past year.



Louisiana Economic Update

Second Quarter 2013

- **Number 1** exporter in the United States
- **11th best state for Business** (improving by 34 spots)
- **63.8% increase** in total bank equity capital of Louisiana's 146 FDIC-insured institutions (nation's average growth was 20.7%)
- Positive job growth of **0.7%** (South -0.8% Nation -1.6%)
- Louisiana has had lower unemployment for **22 CONSECUTIVE QUARTERS**



Incentives to Transfer your Business to Louisiana

- Fast Start employment program
- Rebates on Competitive Projects Payroll Incentive
- Corporate Tax Apportionment Program
- Restoration Tax Abatement
- Corporate Headquarters Relocation Program
- Property Tax Exemption for nonmanufacturing firm
- Growing Tech Market
- Logistics, infrastructure, production
- Enterprise Zone Program



Special Incentives for Small Business

- **Angel Investor Tax Credit**- Provides 35% tax Credit
- **Small Business Loan Program** – Provides 75% loan to facilitate capital accessibility
- **Economic Gardening Initiative** – Provides accelerated tech assistance
- **Veteran Initiative** – Provides veteran owned and disabled service-oriented business with greater opportunity



Natural Gas Expansion

- SASOL – 1,250 Jobs
- Natural Gas to Gasoline Factory – 1,000 Jobs
- SE Tylose – 322 Jobs
- Cheniere Energy 148 Jobs
- Sempra Energy – 130 Jobs
- Methanex – 130 Jobs
- Dyno Nobel – 60 Jobs
- Magnolia Liquefied Gas – 45 Jobs



Tech Expansion

- Gameloft – No.1 publisher of mobile games moved to New Orleans.
- Centruy Link- Headquarter expansion in Monroe
- GE Capital – Technology Center in New Orleans
- IBM – New office in Baton Rouge
- Electronic Arts – Testing Center



Industry Expansion

- **Region I**
(Northeast, Northwest, Central, and Natchitoches)
 - ELIO Motors – 1,500 Jobs
 - Tiburon – 350 Jobs
 - Ronpark Packaging Facility – 175 Jobs
 - Idaho Timber – 90 Jobs
 - Mortgage Contracting Services – 90 Jobs
 - Graphic Packaging International – 47 Jobs



Industry Expansion

- Region II

(Southwest, Acadiana, Baton Rouge, Deridder/Ft. Polk, Livingston)

- Ameritas Technologies – 300 Jobs
- Avalon Rare Metals – 175 Jobs
- Methanex – 130 Jobs
- Forum Energy Technologies – 125 Jobs
- Metal Shark Boats – 106 Jobs
- Rice Milling – 87 Jobs
- DMC Cater Chambers – 80 Jobs
- Haynes International – 19 Jobs



Industry Expansion

- Region III
(Bayou, Saints, Northshore)
 - NUCOR Steel – 1,250 Jobs
 - Danos – 426 Jobs
 - International Paper – 411 Jobs
 - Oceaneering International – 200 Jobs
 - NALCO – 167 Jobs
 - MECO – 127 Jobs



Industry Expansion

- Region IV
(NOMAR)
 - GE Capitol – 300 Jobs
 - New Orleans Cold Storage – 125 Jobs
 - Dyno Nobel – 65 Jobs



International Expansion

- Exports surged to \$55 Billion, an increase of 33%
- Exports are primarily petroleum, coal, agricultural, chemical, and food products.



Louisiana's Business Climate Rankings

- *Site Selection Magazine* ranked Louisiana **7th** in business climate.
- *Business Facilities Magazine* ranked Louisiana **5th** in business climate.
- Louisiana moved up **+32** spots from **45th to 13th** in best state for Business.
- Area Development Magazine ranked Louisiana as the **6th** best state for doing business in both 2011 and 2012

