HAC
Housing Assistance Council
We build homes and communities in rural America

December 8, 2025

Chairman French Hill
House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Ranking Member Maxine Waters
House Financial Services Committee
4340 O'Neill House Office Building
Washington, DC 20515

Dear Chairman Hill and Ranking Member Waters,

The Housing Assistance Council (HAC) would like to applaud the Committee for holding the hearing entitled "Building Capacity: Reducing Government Roadblocks to Housing Supply." While the hearing covered a wide spectrum of topics related to housing supply, we would like to note that a key component of meeting housing demand in rural communities is the preservation of the existing housing stock. To that end, HAC would like to submit the following comments for the hearing record on this topic.

HAC is a national nonprofit that helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, DC, and working in all 50 states, we provide technical assistance to community-based organizations, loans for affordable housing development, and in-depth research on rural community economics. HAC has a specific focus on high-needs rural regions and areas of persistent poverty, including rural Appalachia, Native American communities, the Mississippi Delta and southern Black Belt, farmworker communities, and the Southwest border colonias. Our current lending portfolio is helping to construct, preserve, or renovate over 3,000 homes, spread across 27 states and concentrated in communities of economic distress with persistently high poverty.

HAC also produces robust research on rural housing, demographics, and poverty, with leading public and private sector institutions relying on HAC's research and analysis to shape policy. We are independent and assiduously nonpartisan and regularly respond to Congressional committees and Member offices with the research and information needed to make informed policy decisions. To learn more, please visit www.ruralhome.org. If you need to know how a new program or policy could impact America's smallest towns, please do not hesitate to call on us.

We would like to focus these comments on both the current state of the rural housing supply generally and the specific, pressing preservation needs of both

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multifamily and single-family homes in rural America, especially those financed through the multifamily programs at the U.S. Department of Agriculture (USDA).

Housing Supply in Rural America

It is a myth that only high-cost cities have housing supply or "underproduction" challenges. Between 2013 and 2023, rural areas experienced only an estimated 1 percent overall increase in their housing stock compared to a 10 percent increase for non-rural areas. Measuring the change in housing units includes two components: 1) new homes – housing units added between 2013 and 2023; and 2) lost stock – the decrease in homes built in earlier periods. This basic analysis reveals that rural areas experienced a relatively minor increase in new homes constructed over the 10-year period. But simultaneously, there was a substantial reduction in the existing rural housing stock. Homes built before 2013 declined by 6.5 percent in rural counties, compared to only a 1.6 percent decline for non-rural areas.[1]

Without a focus on preserving the housing we already have, we cannot truly address issues of housing supply in rural areas. Preservation is more cost effective than new construction and must not be overlooked in these evolving supply conversations, especially in rural areas where the data so clearly shows that lack of preservation is counteracting any positive increases in new supply.

Additionally, it is important to mention that affordability is far and away the most significant housing issue impacting rural areas. New supply efforts need to focus on workforce housing and housing for low- and moderate-income families. This Administration's Council of Economic Advisors issued a report on "The Deterioration of Housing Affordability in Rural America"[2] noting that since 2000, median rents have increased 31.5 percent while median renter incomes grew by only 5.5 percent. The same report also noted that real rural house prices have risen at faster than six times the pace of rural homeowner incomes. We need more supply, and it needs to be targeted at those with lower incomes. This requires government involvement in addition to that of the private market.

Preserving USDA's Section 515 Multifamily Properties

The USDA's Rural Housing Service (RHS) administers a suite of housing programs targeted specifically to residents of rural communities. These programs span the spectrum from multifamily rental to single-family homeownership to capacity

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[1] Keith Wiley and Lance George, "Housing Production in Rural America: Where Have We Been, and Where Are We Now?" *Rural Voices: Time To Build: How Do We Develop More (Affordable) Housing In Rural America?* Oct. 2025, pg. 8, https://ruralhome.org/wp-content/uploads/2025/10/Rural_Voices_winter_2025_v8_singlepages-1.pdf.

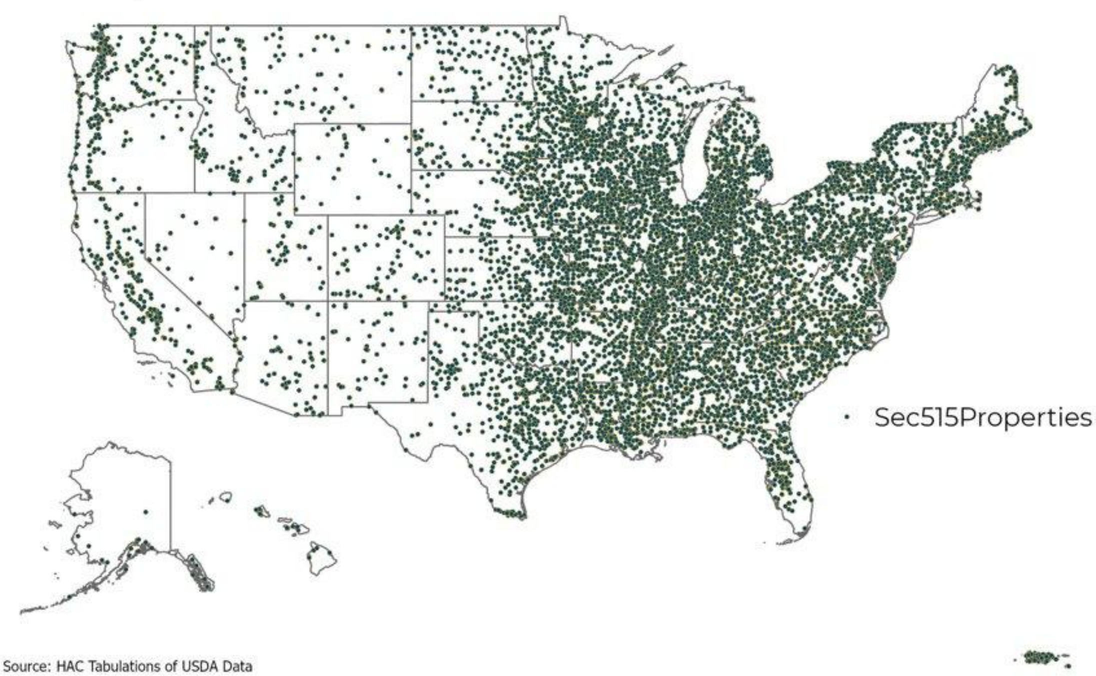
[2] White House Council of Economic Advisers, "The Deterioration of Housing Affordability in Rural America," June 12, 2025, https://www.whitehouse.gov/research/2025/06/the-deterioration-of-housing-affordability-in-rural-america/.

building and community facilities, and are authorized under Title V of the Housing Act of 1949.

The RHS programs support single-family and multifamily housing through grants, direct loans, and loan guarantees. Multifamily programs at RHS include loans to develop or rehabilitate rental housing, loans and grants to finance housing for farm laborers, and rental assistance to assist tenants in those homes. The single-family programs include loans to purchase homes, loans and grants to repair homes, and grants to support self-help housing programs (programs where families invest their own labor – called "sweat equity" – in the construction of their homes). And additional programs exist within RHS to help build the capacity of rural communities through targeted technical assistance, and to develop or improve essential community facilities. While all the RHS programs are critically important, we want to take some extra time to focus on the Section 515 multifamily program, which is facing a serious preservation crisis.

Rental properties financed by USDA Section 515 loans are an important source of rental housing in many rural communities. Since the program's inception in 1963, Section 515 Rural Rental Housing loans have financed nearly 28,000 rental properties containing over 533,000 affordable apartment homes across rural America. With just under 400,000 affordable apartments in USDA's current Section 515 Rural Rental Housing portfolio, there is at least one USDA Section 515 property in 87 percent of all U.S. counties.

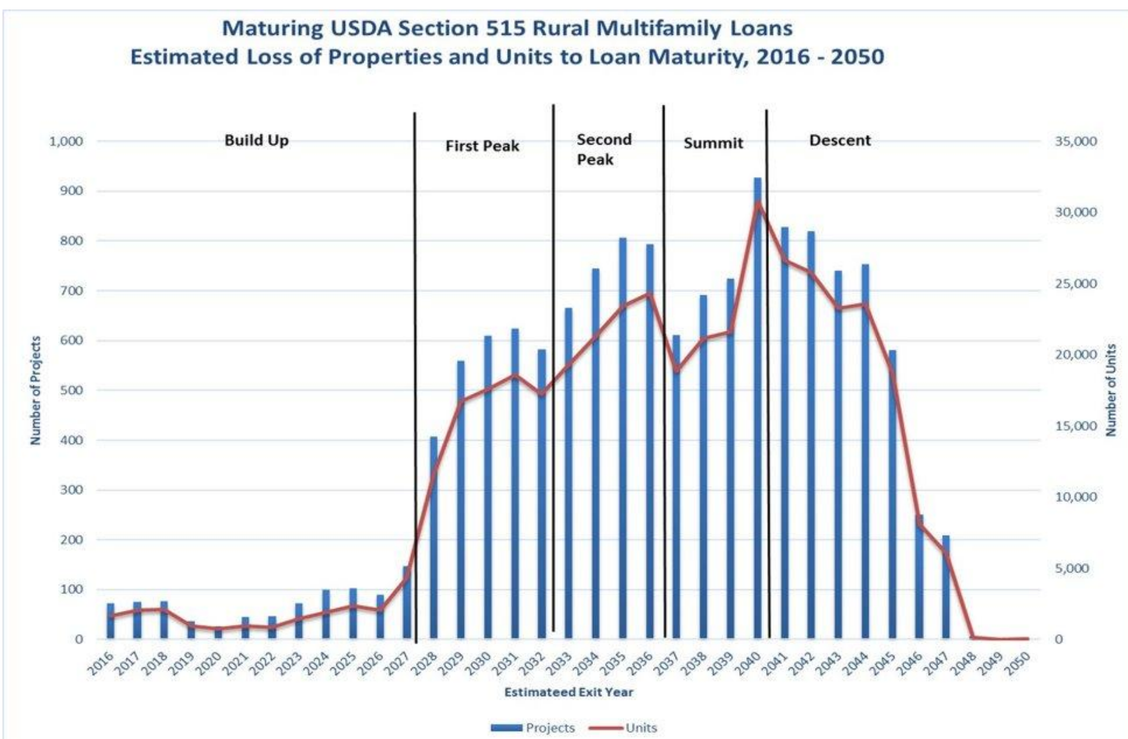
USDA SECTION 515 MULTIFAMILY HOUSING PROPERTIES, June, 2021



Source: HAC Tabulations of USDA Data

Section 515 rental units house an economically vulnerable population – two thirds are occupied by seniors and people with disabilities and tenants' annual income averages only $13,600. Yet not all tenants in Section 515 properties receive rental assistance that limits their rent to 30 percent of household income. Approximately three quarters of all Section 515 tenant households live in units that are rent subsidized through USDA's Section 521 Rental Assistance (RA) program. Another 15 percent receive some other help with their rent, such as Housing Choice Vouchers, Project-Based Rental Assistance (PBRA) or HOME program rental assistance administered by HUD. The remaining 15 percent receive no rental subsidy, with the result that more than one-third of these unassisted tenants are cost-burdened.[3]

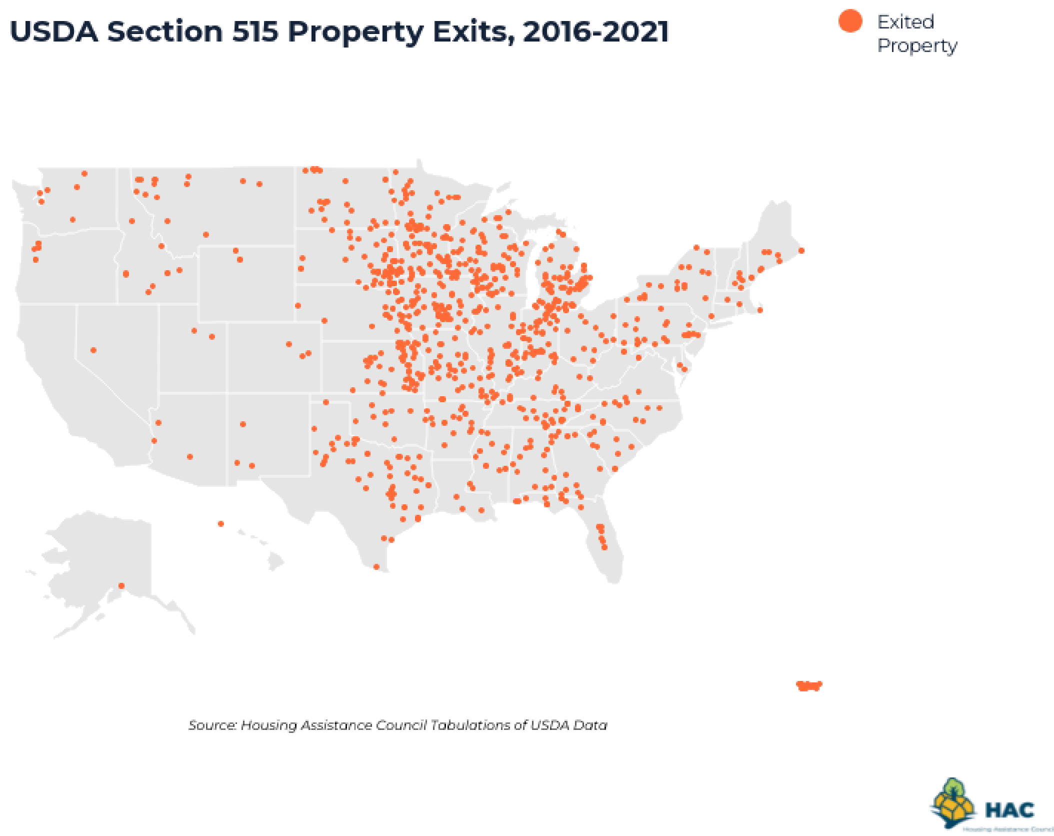
No new construction of Section 515 properties has been financed since 2012 and, because most of these properties are several decades old, their original mortgages are reaching the ends of their terms. As the Senate report on the fiscal year 2018 agriculture appropriations bill noted, there is an "alarming number of multi-family housing mortgages scheduled to mature in the next few years. As these mortgages mature, projects and units will be removed from USDA's affordable rural housing program, placing very low-income rural residents in jeopardy of untenable rent increases and possible eviction."[4]



[3] Joaquin Altoro, "Results of the 2022 Multi-Family Housing Annual Fair Housing Occupancy Report," Unnumbered Letter, March 21, 2023, https://www.rd.usda.gov/sites/default/files/RDUL-MFH_Occupancy_Report.pdf.

[4] Committee on Appropriations, U.S. Senate, *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill 2018, Report S. 115-131,* July 20, 2017, https://www.congress.gov/115/crpt/srpt131/CRPT-115srpt131.pdf.

HAC recently determined that from 2016 through mid-2021 maturing mortgages removed these properties from USDA's Section 515 portfolio slightly more slowly than previously predicted. Far more properties than expected, however, left the program for reasons unrelated to mortgage maturity. HAC identified 921 Section 515 properties that left the portfolio between 2016 and July 2021 – nearly three times more than USDA had projected for maturing mortgages alone during the five-year period.[5]



The residual impacts of this trend are exponential. Once the USDA mortgage has ended, the property owner is generally no longer subject to government oversight or regulations on use of their property (unless the project has other subsidies still in place), the federal government is no longer paying to support that housing, any remaining or replacement financing has a higher interest rate than the USDA loan, the tenants are no longer eligible for USDA Rental Assistance, and in some instances, the homes may no longer be affordable

[5] Housing Assistance Council, *Rural Research Brief: An Update on Maturing Mortgages in USDA's Section 515 Rural Rental Housing Program,* March 2, 2022, https://ruralhome.org/update-maturing-mortgages-usda-section-515-rural-rental-housing-program/.

The bipartisan Rural Housing Service Reform Act (H.R. 4957), led by Congressman Nunn and Congressman Cleaver, would make several critical improvements to multifamily programs at USDA to help address this preservation crisis. And, of important note, the CBO found that the bill did not score in the 118th Congress, meaning it does not have any anticipated direct spending costs. This important bill would, among other things:

Authorize Important Multifamily Preservation Programs

Several of the current USDA preservation programs are funded through appropriations but are not authorized. This bill would change that by authorizing the Multifamily Preservation and Revitalization (MPR) program and the Multifamily Preservation Technical Assistance (MFTA) program. Authorizing these two successful programs is a critical step in ensuring they are stably funded into the future.

The MPR program allows existing properties in the Section 515 rental housing and Section 514/516 farmworker housing programs to refinance their loans and receive more funding to help revitalize their properties and maintain affordability. This program not only preserves the affordability of rental housing through continued government oversight but also provides owners with the capital they need to maintain and repair their aging properties. USDA estimates that $30 billion in funding is needed over the next 30 years to preserve 80 percent of the existing Section 515 portfolio.

To help address the growing crisis of multifamily maturing mortgages, the MFTA program was first funded through Congressional appropriations in FY2017. The program makes competitive grants to eligible nonprofit organizations and public housing authorities (PHAs) to provide technical assistance and other services to enable affordable housing preservation through the transfer of Section 515 properties from current owners to nonprofits or PHAs.

Authorizing these two programs will help ensure they are stably funded into the future, that the intent of the programs is better reflected in use of funds, and that they remain part of the suite of preservation tools available at RHS.

Improve Opportunities for Mission-Focused Nonprofits to Preserve Maturing Properties

Preserving the Section 515 portfolio requires collaboration with RHS, current owners, and public and private sector purchasers. However, the current process for transferring properties is overly burdensome and prohibitively difficult for small, mission-focused nonprofits. Many of these properties are aging and in need of repair. When new buyers want to purchase Section 515 properties, all immediate and long-term repair and rehabilitation needs must be identified by a Capital Needs Assessment (CNA). The nonprofit purchaser must demonstrate the availability of reserves to adequately cover the cost of addressing the property's capital needs – an often insurmountably high bar.

This bill would cut that red tape by allowing nonprofit transfers to move forward before funds for rehabilitation are identified, as long as the nonprofit purchaser makes a commitment to address rehabilitation needs during ownership and accepts long-term use restrictions on the property.

The bill further supports nonprofit transfers by increasing the current 9 percent nonprofit set-aside within the Section 515 program to 25 percent. Small nonprofits often struggle to be competitive with larger and more powerful organizations, but these smaller organizations often work in areas that have the deepest need, specifically persistently poor communities. Preservation funding should be equitably distributed to ensure that geographies are not being left out due to lack of capacity, and this change would help make that happen.

Decouple Rental Assistance from RHS Mortgages Under Certain Parameters

Under current law, the availability of Section 521 Rental Assistance to residents of a Section 515 or 514/516 property is tied to the mortgage. When the mortgage is paid off, the property loses its Rental Assistance. Decoupling the mortgage and the Rental Assistance has been considered as a solution to this situation. HAC would prefer to see RHS's multifamily programs funded at a level that would adequately meet the portfolio's preservation needs. However, thousands of units are leaving the program each year and that funding has not materialized to meet the need.

As a result, RHS needs a suite of preservation strategies – including decoupling – to be available in the absence of adequate funding. This bill would allow for the mortgage and Rental Assistance to be decoupled if the Secretary determines that a maturing loan for a project cannot reasonably be restructured or otherwise preserved. Long-term affordability of the decoupled properties would be ensured through a 10-20 year Rental Assistance contract (subject to annual appropriations). And because this change would be a significant one, RHS would be required to engage in a rulemaking process to gather stakeholder input.

Decoupling was allowed on a pilot basis for 1,000 units in both the FY2024 and FY2025 appropriations bills, and was expanded to 5,000 units in the recently enacted FY2026 USDA funding bill. HAC has been providing technical assistance to property owners who are successfully pursuing decoupling through USDA's pilot Stand Alone Rental Assistance (SARA) option. Through that technical assistance, we have observed that a longer runway would be helpful for future owners interested in choosing SARA at the end of their loan maturity. The RHS Reform Act would require USDA to notify owners of the option to decouple using SARA four years ahead of their loan maturity, giving them enough notice to use their available options despite the lengthy process of identifying and securing resources needed to preserve their properties.

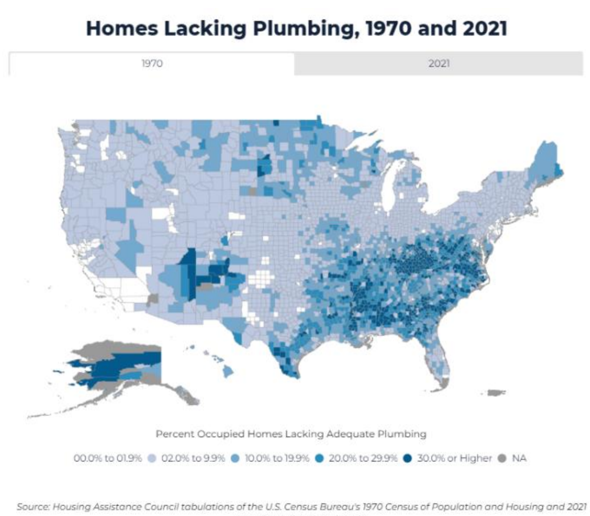
Strengthen the Rural Voucher Program

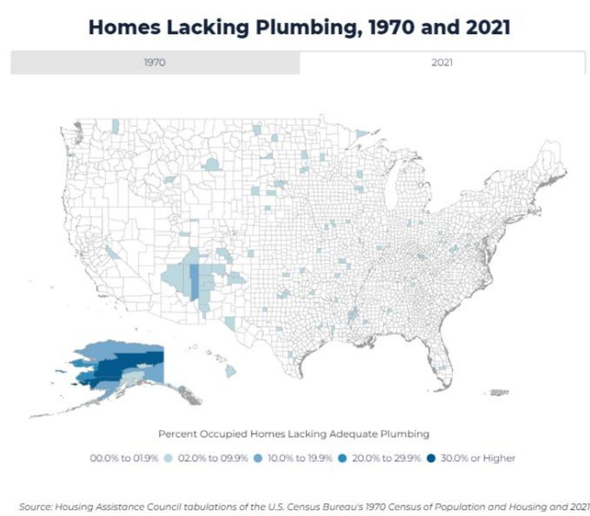
Under the current appropriations, the RHS Section 542 rural housing voucher subsidy is set at the time of prepayment and never changes as rents increase or household income decreases. As a result, voucher holders face displacement from their housing if they have a loss of income or their rents are increased. This bill addresses this issue by allowing the value of a voucher to be adjusted over time. Additionally, it allows tenants in properties whose mortgages are maturing or being foreclosed on to access vouchers, in addition to those in properties that are prepaying.

An Aging Housing Stock in Need of Repair

In recent decades, the incidence of substandard and dilapidated housing has been dramatically reduced. Even so, according to estimates from HUD's American Housing Survey (AHS) over 1.4 million, or 5.6 percent, of homes in rural areas are classified as inadequate. Roughly 368,000 of these substandard homes have serious deficiencies with plumbing, heating, electric/wiring, or upkeep, and are considered severely inadequate.[6]

Among the most basic housing quality indicators is access to running water and working plumbing facilities. While inconceivable to many, approximately 146,000 occupied homes in rural areas lacked adequate plumbing in 2021. The incidence of rural homes without basic plumbing is twice the suburban rate and higher than for homes in urban areas or nationally. More than 30 percent of homes lacking plumbing are in rural areas. Below are maps showing the improvement between 1970 and 2021 in plumbing access across the country.





While inadequate homes are present across the nation, a large portion of these substandard homes are located in persistently poor rural communities such as Central Appalachia, the Lower Mississippi Delta and the rural Southeast, the colonias

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[6] Housing Assistance Council. *Taking Stock: Rural People, Rural Places, Rural Housing,* https://takingstockrural.org/taking-stock/rural-housing/.

region along the U.S.-Mexico border, and among migrant and seasonal farmworkers. In some rural communities, especially on Native American lands, the incidence of homes lacking basic plumbing can exceed 20 times the national rate.

The Section 504 Single Family Housing Repair Loan and Grant programs at USDA provide loans to very low-income homeowners to repair, improve or modernize their homes or grants to elderly very low-income homeowners to remove health and safety hazards. The Rural Housing Service Reform Act, mentioned earlier, would also modernize this program to make it less burdensome for eligible homeowners to access. We were glad to see those provisions of the RHS Reform Act included in this hearing.

Additionally, the Section 502 guarantee program assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest homes for homeownership. The RHS Reform Act would clarify that properties with accessory dwelling units (ADUs) are eligible for Section 502 guaranteed loans. We were also glad to see this provision of the RHS Reform Act included in this hearing.

Thank you for your time in considering these comments, and for holding this important hearing. In a time when the nation's housing supply is lagging behind demand, preservation of our existing homes is absolutely critical to addressing the supply crisis.

Sincerely,

David Lipsetz
President & CEO