



## **Housing Assistance Council**

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### **Obama Administration's Detailed Budget Holds Most USDA Rural Housing Programs Steady, Increases Some HUD Programs**

If the Obama Administration's first detailed budget request becomes law, rural housing programs will look much the same in fiscal year 2010 as in 2009. Unlike the previous Administration's budgets, this proposal does not suggest eliminating some key rural housing programs to cover the costs of others. Most U.S. Department of Agriculture (USDA) Rural Development (RD) housing programs would operate at this year's funding levels and some HUD programs would receive increases.

The budget does not, however, take advantage of an opportunity to increase program levels. The current low interest rates have reduced the government's actual costs of financing the rural housing programs so, if it spent the same amount of federal funds in 2010 as in 2009, the resulting program levels would be higher in 2010. Instead, the budget suggests the government should spend less on rural housing – and uses the savings in other, unspecified, places – leaving the housing programs at their 2009 production levels.

This budget does echo the previous Administration's budgets in suggesting that the Rural Housing and Economic Development (RHED) program of the Department of Housing and Urban Development (HUD) be eliminated. Unlike past proposals, however, it would replace RHED with a new Rural Innovation Fund with about the same level of funding,

It should be noted that in FY 2009 several HUD programs, as well as USDA's Section 502 direct and 502 guaranteed mortgage loans, received additional funding through the American Recovery and Reinvestment Act (ARRA, often called the economic stimulus act), which also created some new programs. ARRA's figures are not reflected in the tables or text below because they were one-time amounts.

Complete budget documents are available at <http://www.gpoaccess.gov/usbudget/fy10/appendix.html>

#### ***USDA Rural Housing: Holding Steady***

Costs for Section 521 Rental Assistance (RA) remain high in FY 2010 – for the first time it will cost over \$1 billion to renew all expiring contracts. The Administration's budget would cover this expense while also keeping direct lending programs intact and continuing existing rental housing preservation demonstration programs.

Like the FY 2009 appropriations act, the budget proposes to eliminate interest subsidies and guarantee fees on Section 538 loans. A bill that would restore interest subsidies for FY 2009,

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H.R. 1989, was introduced in April by Rep. Shelly Moore Capito (R-West Virginia) and is cosponsored by Rep. Lincoln Davis (D-Tennessee).

Details of the proposed funding levels for USDA RD are provided in Table 1 below.

### ***HUD: Increases and New Initiatives***

Many HUD programs would receive increases in the Obama Administration's proposed 2010 budget. A number of new initiatives are also proposed, most significantly \$1 billion for the National Housing Trust Fund created by Congress last summer. The budget seeks additional funding for Community Development Block Grants (CDBG), tenant- and project-based rental assistance, the Public Housing Operating Fund, homeless assistance, fair housing, and housing counseling. The HOME Investment Partnerships Program and some other programs would stay at 2009 levels. The Self-Help Homeownership Opportunity Program (SHOP) would receive a very small increase.

*Rural Housing and Economic Development.* As in past budgets, HUD's Rural Housing and Economic Development program is zeroed out. As a replacement, however, a new \$25 million Rural Innovation Fund is proposed for inclusion as part of the CDBG program. Funds would be "provided to states through a competitive process to promote innovative and cost effective approaches to improving housing conditions in rural communities." It is not clear how this would work, but the process could potentially be very different from the current RHED competitions.

*Community Development Block Grant.* The budget states that in mid-2009 the Administration will propose legislation to authorize the Rural Innovation Fund, as well as two other new initiatives under CDBG. The Sustainable Communities Initiative would provide \$100 million in grants for localities to coordinate transportation and housing. The \$25 million University Community Fund is intended to promote revitalization of communities near universities. Other promised legislation would reform CDBG with a modernized distribution formula, changes related to disaster recovery, and increased accountability.

The budget would terminate CDBG's Brownfields Economic Development Initiative and eliminate credit subsidies for Section 108 loan guarantees. The Administration will propose legislation to allow HUD to collect fees from borrowers receiving guaranteed loans.

*Housing Trust Fund.* Legislation in 2008 created a national Housing Trust Fund, but the funding anticipated from Fannie Mae and Freddie Mac has been put on hold by the Federal Housing Finance Agency, which currently controls Fannie and Freddie. The budget proposes to provide \$1 billion for the trust fund through new legislation, which would be subject to PAYGO, the pay-as-you-go system that requires new spending to be offset by reductions in spending elsewhere.

*Technical Assistance.* The budget proposes that set-asides of technical assistance (TA) funding within the accounts for individual program such as HOME would be consolidated under a new Transformation Initiative, which is intended to combat mortgage fraud. It is not clear what impact, if any, this would have on the availability of TA. In the past, TA funding has been used to assist local organizations with regard to many housing topics in addition to mortgage fraud.

*HOPE VI and Choice Neighborhoods.* The HOPE VI program is proposed for elimination, as it was in the previous Administration's budgets, but it would in some ways be replaced by a new initiative. The Choice Neighborhoods Initiative would have \$250 million to provide competitive grants to local governments, public housing authorities, nonprofits, and for-profits to improve public and HUD-assisted housing, provide resident and community services, and develop surrounding neighborhoods.

Details of the funding levels proposed for major HUD programs are shown in Table 2 below.

**Table 1**  
**USDA Rural Development, FY 2010 Budget**

<b>USDA Rural Development Program (dollars in millions)</b>	<b>FY 2008 Approp.</b>	<b>FY 2009 Approp.</b>	<b>FY 2010 Proposed Budget</b>
<b><i>Loans</i></b>			
502 Single Fam. Direct	\$1,129.4	\$1,121.5	\$1,121
502 Single Family Guar.	4,220	6,223.9	6,200
504 Very Low-inc. Repair	34.7	34.4	34.4
514 Farm Labor Hsg.	27.7	20	22
515 Rental Hsg. Direct	70	69.5	69.5
538 Rental Hsg. Guar.	130	129.1	129.1
Rental Prsrv. Revlg. Loans	3	2.9	1.8
<b><i>Grants and Payments</i></b>			
504 Very Low-inc. Repair	30	29.7	31.6
516 Farm Labor Hsg.	10	9.1	9
523 Self-Help TA	39	38.7	38.7
533 Hsg. Prsrv. Grants	9	8.9	9.4
521 Rental Assistance <sup>a</sup>	482.1	902.5	1,091
Preservation RA			6
New Construction 515 RA			2.03
New Constr. 514/516 RA			3.4
542 Rural Hsg. Vouchers	5	5	5
Rental Prsrv. Demo. (MPR)	20	20	19.8
Rural Cmnty. Dev't Init.	6.3	6.3	6.3

- a. Rental Assistance contracts were for four years in FY 2006, for two years in FY 2007, and for one year in FY 2008 and 2009. The budget proposes one-year contracts in 2010.

**Table 2**  
**HUD, FY 2010 Budget**

<b>HUD Program (dollars in millions)</b>	<b>FY 2008 Approp.</b>	<b>FY 2009 Approp.</b>	<b>FY 2010 Proposed Budget</b>
Cmty. Devel. Block Grants	\$3,865.8	\$3,900	\$4,450
Sustainable Commnts Init. <sup>a</sup>	-	-	(150)
Rural Innovation Fund <sup>a</sup>	-	-	(25)
University Community Fund <sup>a</sup>	-	-	(25)
HOME	1,704	1,825	1,825
Housing Trust Fund	-	-	1,000
Tenant-Based Rental Asstnce.	15,555	16,217	17,836
Project-Based Rental Asstnce.	6,223	7,100	8,100
Public Hsg. Capital Fund	2,439	2,450	2,244
Public Hsg. Operating Fund	4,200	4,455	4,600
Public Hsg. Revtlztn. (HOPE VI)	100	0	0
Native Amer. Hsg. Block Grant	630	645	645
Homeless Assistance Grants	1,586	1,677	1,794
Hsg. Opps. for Persons w/ AIDS	300	310	310
202 Hsg. for Elderly	735	765	
Hsg. Constructn.			522
Supportive Svcs.			243
811 Hsg. for Disabled	231	248	
Hsg. Constructn.			114
Supportive Svcs.			136
Fair Housing	50	54	72
Rural Hsg. & Econ. Dev. (RHED)	17	26	0 <sup>b</sup>
Self-Help Homeownshp. (SHOP)	26.5	26.5	27
Lead Hazard Control	142	140	140
Housing Counseling	-	65	100
Transformation Initiative <sup>c</sup>	-	-	20
Energy Innovation Fund	-	-	100

- a. Proposed new initiatives under CDBG.
- b. \$25 million new initiative proposed under CDBG.
- c. New initiative to combat mortgage fraud.