

Frequently Asked Questions

Rural In Character-related Eligibility Changes Temporary Suspension Through FY 2015

1. Why are rural in character determinations being suspended?

In response to public concern Rural in Character determinations have been suspended. The suspension will allow USDA Rural Development (RD) to review the public engagement and decision making processes for 'rural in character' determinations. It will also allow additional time to communicate with stakeholders and policy-makers about how best to ensure USDA rural housing programs serve communities with limited access to credit and few housing options.

2. How will more time help the determinations process?

The temporary suspension will provide USDA Rural Development the time needed to ensure that (i) changes in rural area designations that render an area ineligible based solely on RIC determinations are supportable; (ii) the reasons underlying those determinations are consistent and well documented; and (iii) the public has been properly notified in advance of the changes.

3. If my State has already announced rural in character determinations, what happens?

For most communities the rural in character status will not change and no action is necessary. Action is only needed for the small handful of communities who were already informed that they have experienced enough development to no longer be deemed rural in character. The RD State Director will contact those communities and inform them that changes in program eligibility will go into effect no sooner than October 2015. By October 2015, the review of USDA processes and stakeholder communication is expected to be complete. The National Office will provide guidance about the communication of these changes to the affected communities.

4. Will the temporary suspension apply to areas already deemed ineligible because of population growth?

No. The temporary suspension only applies to rural areas slated to become ineligible solely because of their becoming non-rural in character.

5. The Agricultural Act of 2013, Pub. L. 113-79, (“Farm Bill”) revised the rural area definition for housing programs. Was the *rural in character* (RIC) related determination affected by this change?

No. The revisions made by the Farm Bill are applicable to population changes and implementation date. The Farm Bill provision **does not** eliminate the requirement that certain areas be RIC and have serious lack of mortgage credit for lower and moderate income households. The updated Section 520 of the Housing act of 1949 (as amended) is as follows (**Changes in Bold**):

As used in this subchapter, the terms “rural” and rural area” mean any open country, or any place, town, village or city which is not (except in the cases of Pajaro, in the State of California, and Guadalupe, in the State of Arizona) part of or associated with an urban area and which

- (1) has a population not in excel of 2,500 inhabitants, or
- (2) has a population in excess of 2,500 but not in excess of 10,000 if it is rural in character,
- (3) has a population in excess of 10,000 but not in excess of 20,000, and
 - (A) is not contained within a standard metropolitan statistical area, and
 - (B) has a serious lack of mortgage credit for lower and moderate-income families, as determined by the Secretary and the Secretary of Housing and Urban Development. For purposes of this subchapter, any area classified as “rural” or a “rural area prior to October 1, 1990, and determined not to be “rural “or a “rural area” as a result of data received from or after the 1990, 200, or 2010 decennial census, and **any area deemed to be a “rural area” for purposes of this title under any other provision of law at any time during the period beginning January 1, 2000, and ending December 31, 2010, shall continue to be so classified until the receipt of data from the decennial census in the year 2020**, if such area has a population in excess of 10,000 but not in excess of **35,000** is rural in character, and has a serious lack of mortgage credit for lower and moderate-income families. Notwithstanding any other provision of this section, the city of Plainview, Texas, shall be considered a rural area for the purposes of this subchapter, and the city Altus, Oklahoma, shall be considered a rural area for purposes of this subchapter until the receipt of data from the decennial census in the year 2000.

6. Since the Farm Bill did not revise the RIC requirements, why the temporary suspension in new RIC-related rural area determinations?

The suspension is necessary to ensure consistency is applied for all new areas that are designated non-rural when the determination is based solely on the RIC-related requirement. There is concern about the loss of eligibility for Rural Housing Service program benefit a community or area would suffer if the consideration of 2010 decennial census data and other relevant factors causes it to no longer be regarded as rural. Because of this concern, additional time is needed to ensure the public has had sufficient time to comment on proposed changes, and that new RIC-related determinations are consistent throughout the country.

7. The revised rural area maps were scheduled to be implemented October 1, 2014. How does the temporary suspension in RIC-related determination affect the scheduled implementation date?

The temporary suspension applies only to new RIC-related changes that would render a current rural area ineligible strictly on the basis that it is no longer rural in character; all other updates required based on the new “rural area” definition will proceed as planned for fiscal year 2015 absent further legislative changes.

8. With the understanding that the temporary suspension of new RIC-related designations will remain in effect through FY 2015 (September 30, 2015), and that RIC and serious lack of mortgage credit is required by the Housing Act of 1949 (as amended); what measures will be taken to ensure accuracy when designating current rural areas as ineligible when the determination is based solely on the RIC-related requirements?

During the temporary suspension the Agency will validate internal processes; conduct a second review of areas that were scheduled to be terminated solely based on the RIC-related requirement; notify the public of areas that are under review; allow for a 90 day public comment period on proposed changes prior to final determination; publish a notice of final determination at least 30 days prior to the effective date of any map change that may be necessary due to the RIC-related requirement; and publish an Administrative Notice providing further guidance on rural in character determinations to ensure consistency.

9. Why are rural in character evaluations being done in the first place if the area in question is under the population limit? Are these evaluations required by statute?

On multiple occasions, Congress has amended the Housing Act of 1949 (Act), which is the authorizing statute for the Section 502 programs, with regard to the meaning of “rural.” In 1965, Congress linked eligibility for rural housing community benefits to population limits under Section 520 of the Act. Communities of less than 2,500 were rural, but an additional requirement was established for communities whose population was between 2,500 and 5,500. These had to also be “rural in character,” a descriptively spare distinction that provided important interpretive latitude in later decades as new technologies, telecommunications, demographics and economics reshaped the rural landscape.

Congress further limited “rural” in this context by requiring that program-eligible communities also have a “serious lack of mortgage credit” for lower and moderate-income households. Most recently, the rural area definition in Section 520 of the Act was revised by the Agricultural Act of 2014, Pub.L. 113-79, Section 6208. This “Farm Bill” revision changed the population-related eligibility requirements for the Rural Development housing programs. Section 737 of the Consolidated Appropriations Act, 2014 (H.R. 3547), however, deferred the effective date of the rural definition change by extending eligibility to September 30, 2014 for areas that were program-eligible as of September 30, 2013.

Generally, Section 520 of the Act allows an area whose population is between 10,000 and 20,000 to participate in the USDA housing programs, if the area is not in a Metropolitan Statistical Area (MSA). If the area population is between 2,500 and 10,000, it must be deemed “rural in character.” Congress did relax the population limits for some areas previously designated “rural” under any provision of law during certain timeframes. If the population of these “grandfathered” communities does not exceed 35,000 per the 2010 census, the areas will continue to be eligible for housing program benefits until receipt of 2020 census data, if they are rural in character and have a serious lack of mortgage credit for lower and moderate-income families.