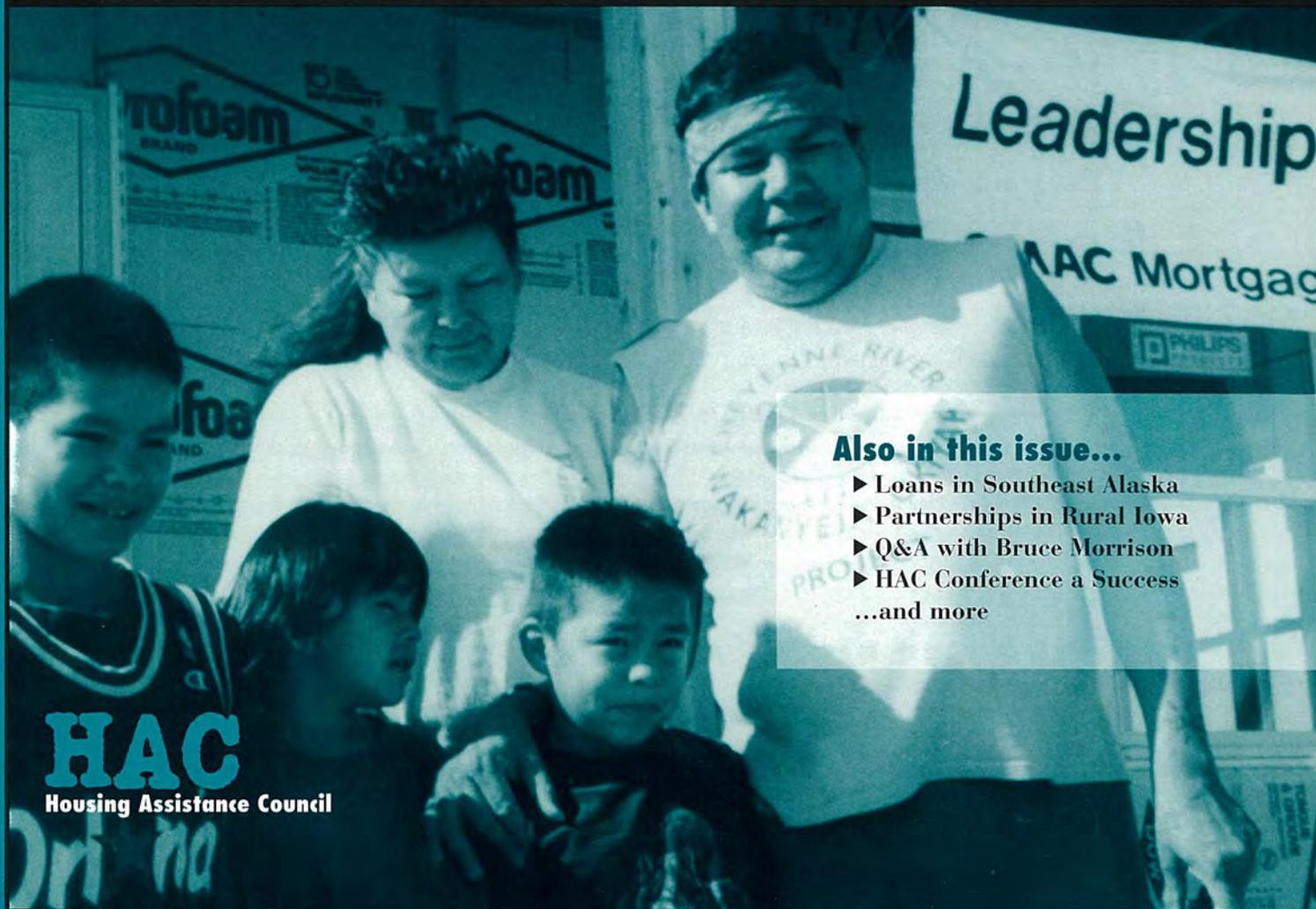


Rural Voices

Winter 1996-97, Vol. 2, No. 2

The Magazine of The Housing Assistance Council

HOME LOAN BANK FINANCING FOR RURAL HOUSING



Also in this issue...

- ▶ Loans in Southeast Alaska
- ▶ Partnerships in Rural Iowa
- ▶ Q&A with Bruce Morrison
- ▶ HAC Conference a Success
- ...and more

HAC

Housing Assistance Council

Dear Friends,

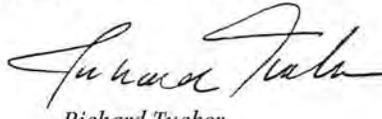
This issue of Rural Voices highlights two important topics: how the Federal Home Loan Bank System can help in the development of affordable rural housing, and local and national efforts to address housing needs in Indian Country.

Our cover story explains the basics of the FHLBanks' Affordable Housing Program and Community Investment Program, with examples of how both have been used in rural areas. Both can provide long-term financing for housing development at below-market rates. An interview with Bruce Morrison examines the AHP and CIP from a slightly different angle. Morrison, the Chairman of the Federal Housing Finance Board, which oversees the FHLBank System, discusses his perspective on the future of the System and of the banking industry overall.

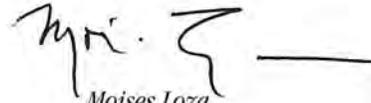
Native American housing issues are addressed in two pieces as well. First, the director of the Tlingit-Haida Regional Housing Authority in Alaska describes how her agency modified an existing housing program to better meet the needs of Native Alaskans. Changes expected nationwide as a result of the Native American Housing Assistance and Self-Determination Act of 1996 are summarized in our "View from Washington" department.

This issue also explores a successful housing development effort in a small town in Iowa. In addition, we have included a summary of HAC's National Rural Housing Conference, held in December 1996, and providing, among many other things, an opportunity to celebrate HAC's 25th anniversary.

As HAC begins its second quarter-century in 1997, we are glad to be part of its work. We look forward to working with you for the next 25 years!



Richard Tucker
Chairman, Board of Directors



Moises Loza
Executive Director

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COVER PHOTO: Joshua and Artis Logg and their family in Eagle Butte, South Dakota were able to purchase this home thanks to Affordable Housing Program funds provided by the Federal Home Loan Bank of Des Moines through Home Federal Savings Bank of Sioux Falls. The Loggs' home was one of 30 constructed in 1994 by the Okiciyapi Tipi Habitat for Humanity, International and the Cheyenne River Sioux Tribal Government in Eagle Butte. Photo courtesy of Eagle Butte News

HAC FACTS

HAC KICKS OFF SHOP FUND

By the deadline of January 24, HAC's new Self-Help Homeownership Opportunity Program (SHOP) Fund had received 84 applications for over \$16 million to help build more than 1,900 units of self-help housing. HAC will make \$13.5 million in SHOP loans to successful applicants for land and infrastructure costs in self-help projects.

RENTAL HOUSING IN RURAL ARIZONA TO BE DEVELOPED WITH HAC LOAN

Families and elderly residents of Pinal County, Arizona will benefit from a Housing Assistance Council loan of \$70,254 to a partnership established by Copper Communities Resource and Development, Inc. to develop 25 units of rental housing and a senior/community center. The project will be located just outside the town of Mammoth. The local developer reports that there has been no new construction in the town for years, so the vacancy rate is less than 2 percent. Almost half of Mammoth's residents have very low incomes, and more than a third are retired.

Before construction began, there were already 61 names on the waiting list for the 25 units. The town is extending utilities to the site, and county officials support the project as well. When the project is completed — expected to be by the end of June — monthly rents will range from \$305 for a one-bedroom unit to \$445 for a three-bedroom apartment.

HAC's loan will be used for soft costs such as architectural fees. Other funding sources committed to the project include the Arizona HOME program (\$405,000 permanent financing), the Arizona Housing Trust Fund (\$97,500 permanent financing), Heritage Bank (\$1,000,000 construction loan and \$370,000 permanent), and Low Income Housing Tax Credits (\$820,500).

HAC DEPOSIT ENABLES LINE OF CREDIT FOR LOUISIANA REHAB

The Bayou Lands Housing Development Corporation will use a recently approved loan from the Housing Assistance Council to assist in rehabilitating homes and reselling them

to low-income families in southeastern Louisiana. HAC's loan will place a compensating deposit of \$100,000 in Hibernia Bank, a local lender, enabling the bank to extend a \$150,000 line of credit to Bayou Lands. That amount permits the acquisition and rehabilitation of up to three houses at a time.

Bayou Lands purchases foreclosed homes from RHS, HUD and other sources, and then rehabilitates them. HOME funds enable low- and moderate-income families to purchase the refurbished units. Despite local government support, the program was limited in its use of HOME funds to purchase the units because of lengthy processing time. The line of credit from Hibernia Bank makes funds available for use more quickly.

HAC's compensating deposit is expected to be needed for only two years. By the end of that period, the local non-profit will have established a credit history with the bank and will no longer require this additional security.

HAC ISSUES REPORT ON STATE OF THE NATION'S RURAL HOUSING

Housing problems in rural America are acute and rural poverty remains serious, according to a recent HAC report. *The State of the Nation's Rural Housing in 1996* presents detailed information about rural housing. For example, rural households with lower incomes suffer greater cost burdens. Thirty-eight percent of rural households with incomes below \$10,000 pay more than half of these meager incomes for housing, and more than half of them pay over 70 percent of their income.

Rural homeowners are more likely to experience physical housing problems than urban owners, according to the report. Overall, more than one quarter (27 percent) of rural households have a major housing problem. The report explains also that minority households in rural areas suffer a disproportionate share of housing problems.

This information and much more is available in the report, which can be ordered from HAC for \$7, including postage and handling. Send a check to HAC's national office or call Luz Rosas to order with a credit card.

Continued on page 15

A FINANCING RESOURCE FOR RURAL HOUSING:

THE FEDERAL HOME LOAN BANK SYSTEM



Twenty-four units of single-room occupancy rental housing were developed in Amesbury, Massachusetts with Affordable Housing Program funds from the Federal Home Loan Bank of Boston to Newburyport Five Cents Savings Bank. Additional funding came from HUD's Section 8 Moderate Rehabilitation program, the Massachusetts Land Bank, the Massachusetts Executive Office of Communities and Development, and a variety of state and local social service providers. *Photo courtesy of Hayward Studios, Boston.*

by Roberta Youmans

As federal funds for housing continue to shrink, particularly in rural areas, nonprofit providers must spend ever more time scrambling to put together the many pieces of an affordable project. Long-term below market financing can often be obtained from lending institutions that are members of the Federal Home Loan Bank (FHLBank) System.

The FHLBank System was established as a privately capitalized cooperative government sponsored enterprise in the Depression era to ensure a constant source of available

mortgage money. There are 12 FHLBanks, each of which is a separate corporate entity with its own independent board of directors and management. The FHLBanks raise funds by issuing debt instruments in the capital market. Since they are rated "AAA," their cost of funds is only slightly above that of the U.S. Treasury which enables them in turn to provide advances or loans to their members at an affordable rate.

Eligible for membership in the FHLBank System are savings institutions, commercial banks, credit unions and insurance companies that have at least 10 percent of their assets in housing-related investments and that have purchased stock in a particular FHLBank. As of November 30, 1996, there were 6,093 members, 2,743 of them located in nonmetropolitan areas. Seventy-nine percent of the total have asset sizes under \$250 million and are considered "small banks" under the new Community Reinvestment Act regulations. The availability of FHLBank funds is particularly helpful to members of small asset size who do not have access to the financial markets on their own and who "portfolio" (or hold) their loans in lieu of selling them to the secondary market.

Since 1990, the FHLBanks have been operating two targeted housing programs — the Affordable Housing Program (AHP) and the Community Investment Program (CIP). CIP may also be used for economic development. The AHP is a competitive program whereas the CIP is offered by most FHLBanks on an as-needed basis. Both programs have been widely used in rural areas.

AFFORDABLE HOUSING PROGRAM

The FHLBanks contribute the greater of \$100 million or 10 percent of their collective net income each year to the AHP. In 1996, the total amount available was \$108.3 million. In 1997, the total expected is \$120 million. The amount available varies in each of the 12 FHLBank districts.

A FHLBank member must sponsor an application on behalf of a project developer. The AHP may be used to subsidize the interest rates

THE AHP MAY BE USED FOR CONSTRUCTION, PERMANENT, OR BRIDGE FINANCING. IT CAN BE THE FIRST MONEY INTO A DEAL OR THE LAST.

for advances (loans) and to provide direct subsidies (similar to grants) to member institutions engaged in lending for long-term very-low, low, and moderate-income, owner-occupied and affordable rental housing. Funds can be and are often used in conjunction with other sources of funds such as the Low Income Housing Tax Credit, Rural Housing Service (RHS) programs, the HOME program, and other federal, state or local programs. Homeownership housing must be made available for households with incomes at or below 80 percent of median income (using HUD figures adjusted for family size). Twenty percent of the rental units in a project assisted with AHP must be made available and affordable to very-low income

households (defined as those with incomes at or below 50 percent of the median) for the remaining useful life of such housing.

The AHP may be used for construction, permanent, or bridge financing. It can be the first money into a deal or the last. It cannot, however, be used to fund operating budgets, social services, housing counseling, to capitalize reserve funds or to refinance housing unless rehabilitation is involved. Each of the FHLBanks must evaluate projects according to regulations promulgated by the Federal Housing Finance Board (Finance Board) but there are many nuances in the program and slight differences in the scoring systems used among the 12 Federal Home Loan Banks.

Projects are first evaluated to determine if they comply with fair housing laws and regulations; they are feasible; the member is credit-worthy; and the nonprofit or sponsor can begin using the funds in 12 months. Priority is given to projects that finance the purchase or rehabilitation of housing owned or held by the federal government; are sponsored by nonprofits, states, or local governments; empower the poor; provide permanent housing for the homeless; or meet a priority adopted by the district FHLBank. In 1997, half of the FHLBanks will give a district priority to projects in rural areas.

More points are awarded for projects that target households with incomes below the statutory maximums; that facilitate the maximum retention of housing; that use the least amount of AHP subsidy per unit; that have support from the community; that maximize community stability; and that are innovative.

As of June 30, 1996, there were 3,343 active and completed AHP projects nationwide, representing a total of 120,252 units. When all these units are ready for occupancy, 68 percent of them will be available to very low-income households; 72 percent of these will be rental units and 28 percent homeownership. Twenty-five percent of the applications and 19 percent of the units were for rural housing projects. The average subsidy per unit was \$3,860. Examples of how the AHP has been used in rural areas include:

▶ A community land trust in Maine used a direct subsidy of \$72,000 to cover a portion of the construction costs for 12 new single-family energy efficient homes. RHS provided grants and loans and the Maine State Housing Authority also provided a loan. The sponsor used economical construction techniques with volunteers and self-help labor to construct homes with an average price of \$32,000.

▶ A Native American corporation is using \$187,000 in direct subsidy to build and/or rehabilitate 75 homes on the Omaha Indian Reservation. AHP funds will be used to assist homebuyers with partial downpayments and other soft closing costs. Other funds will come from the tribe, HOME funds, the Nebraska Investment Finance Authority, conventional bank financing, Mercy Housing Development Corporation, Indian

Health Services, and the Bureau of Indian Affairs. The Omaha Tribal Council has adopted a foreclosure and eviction code which removes a major obstacle to lending on tribal trust land.

▶ A nonprofit in rural California received an AHP direct subsidy of \$117,000 for 18 lease-purchase townhouses. The project will provide affordable rental housing during the first 15 years of operation to comply with the Low Income Housing Tax Credit. Tenants will receive a purchase

first-time homebuyer programs outside the AHP competitive process. A few of the FHLBanks require homebuyers to match personal savings with an equal amount provided by the AHP. Others limit the amount that may be provided to each participating member or family. The amount of AHP set aside for such purposes ranges from \$250,000 at the Topeka FHLBank to \$2 million at the New York FHLBank.

PROPOSED AHP REGULATORY CHANGES

On November 8, 1996, the Finance Board published in the *Federal Register* a comprehensive proposal to revise the AHP. The new rule is intended to provide clearer standards for operation of the program while reducing regulatory burden and continuing to identify and prevent misuse of AHP subsidy. Changes are proposed in definitions, scoring, monitoring, and retention. Comments were due to the Finance Board by



North Creek Apartments, a 40-unit rental project in rural Chillicothe, Ohio, developed by the Ross County Community Action Commission, received permanent first mortgage financing from the Affordable Housing Program of the FHLB of Cincinnati, through FHLB member State Savings Bank, Columbus, Ohio. Additional funds came from Ross County and Low Income Housing Tax Credits. Photo courtesy of the Federal Home Loan Bank of Cincinnati.

option when they execute their lease. The option may be exercised in year 16 but tenants will not be penalized or displaced if they do not purchase.

AHP FIRST-TIME HOMEBUYER SET-ASIDES

For their part in implementing President Clinton's National Homeownership Strategy, eight of the twelve FHLBanks have set aside a portion of their AHP funds for

February 6.

COMMUNITY INVESTMENT PROGRAM

The CIP is a flexible, non-competitive program that may be accessed by members of the FHLBank System on an ongoing basis. Through CIP, the FHLBanks make reduced rate advances, typically 20 to 35 basis points below the rate on a regular advance — which translates into the cost of funds plus

a small administrative mark-up. While the CIP does not provide a subsidy as deep as the AHP, what it can offer is long-term, fixed-rate financing of any amount in a number of ways.

Specifically, the CIP may be used to finance home purchases by families whose incomes do not exceed 115 percent of the area median; to finance the purchase and/or rehabilitation of rental housing for families with similar incomes; and for commercial or economic development activities that benefit families with incomes below 80 percent of the area median or that are located in areas in which 51 percent or more of the households have incomes below 80 percent of the median. Since the program began, the CIP has contributed to the financing of 273,500 housing units, a large portion of which have been made available to families with incomes at or below 80 percent of median.

Like the AHP, CIP can be used in conjunction with other funding sources. It too has been used successfully in rural areas. For example:

► A member in Iowa borrowed a CIP advance of \$1.9 million to serve as matched funding on a loan for the construction of six group homes and an activity center to house and provide services to 36 developmentally disabled individuals. In addition to the benefits derived by clients, the project created 135 new jobs and

a \$2 million annual payroll. The term of the advance was 20 years.

- In Illinois, a member obtained a \$929,000 letter of credit to collateralize State of Illinois deposits. Loans made under the State Treasurer's Agricultural Production Loan Deposit Program were farm loans made in a low-income area with high unemployment. The project also included 18 units of housing.
- In Texas, a member used a \$400,000 CIP advance to fund the construction loan for a RHS

bank mortgages of at least 50 percent of appraised value may be sold in the secondary market. The Partnership will be expanded in fiscal year 1997 to include partnerships in all of the FHLBank districts. The FHLBanks have collectively agreed to make \$200 million in CIP advances available to their members over the next four years to support program activities under this and other Rural LISC initiatives.

ROLE OF THE FHLBANK COMMUNITY INVESTMENT OFFICER

Each FHLBank has a Community Investment Officer (CIO) on staff to implement community lending and affordable housing advance programs and to provide technical assistance and outreach to promote such programs. They do this through written materials, telephone, on-site visits,

and the sponsorship of regional conferences. The CIOs are an invaluable resource and can help make the connection between non-profit funding needs and member resources. Readers are welcome to contact Roberta Youmans at the Finance Board for further information or for the name and address of the CIO in a particular area. ♦

Roberta Youmans is a program analyst in the Housing and Community Development Division at the Federal Housing Finance Board. She may be reached at 202-408-2581.



Completed units in North Creek Apartments, Chillicothe, Ohio. Photo courtesy of the Federal Home Loan Bank of Cincinnati.

Section 515 rental housing project. RHS provided the permanent financing.

RURAL HOME LOAN PARTNERSHIP

Eight of the FHLBanks are presently participating in the Rural Home Loan Partnership with Rural LISC and the RHS. The new product links RHS Section 502 leveraged loans with the CIP and works through local community development corporations thereby reducing the cost to the borrower. The loan share will be negotiated locally and

Q&A *with*

BRUCE A. MORRISON

Bruce A. Morrison has been Director and Chairman of the Federal Housing Finance Board since June 1995. The Finance Board regulates the 12 regional Federal Home Loan Banks that make up the Federal Home Loan Bank System, and oversees the System's Affordable Housing Program and Community Investment Program described in the lead article of this issue of Rural Voices. Morrison is a former Congressman from Connecticut who served on the House Banking Committee, and has practiced law in New Haven.

The Finance Board recently published new regulations for both the Community Support Requirements program [not to be confused with the Community Investment Program] and the Affordable Housing Program. What effect would those regulations have on the provision of credit for affordable rural housing?

The two programs are quite different. The Affordable Housing Program is a subsidy program providing both loans and grants. The changes being made will remove a level of delay and bureaucracy. Decisionmaking will be at the Home Loan Bank level rather than in Washington [at the Finance Board]. Overall, the Home Loan Banks will have more flexibility. Flexibility in priority setting will allow district Banks with rural needs to put more resources in that direction. Flexibility in monitoring will mean lower cost, and that means smaller projects will be more easily undertaken.

Unlike AHP, Community Support is a requirement for members of the System. The new regulation puts into effect a statutory requirement for the Finance Board to examine two indicators of whether institutions are doing enough community support to justify their participation in the Home Loan Bank System. First, a member must have a satisfactory Community Reinvestment Act rating. Second, a member also must demonstrate that it has a program to help first-time home buyers. I believe the overwhelming proportion of members comply with these requirements already.

What role do you think our system of profit-making financial enterprises can play in the provision of affordable housing in rural areas?



I think they are essential. The role of government, through partnerships and otherwise, is to fill the gaps. We have a very successful financial services marketplace but rural areas suffer from some special problems, and often there isn't a match between available institutions and needs. The FHLBank System's role is to give the institutions tools to help fill those gaps. One tool is products like the AHP subsidy. Second, we also play a technical assistance business development role — we share and develop expertise about what techniques can be used, or how to be creative about collateral or about terms. There's a lot more to be done.

Are the credit issues different with respect to the production of multifamily rental housing than the production of single-family homes for purchase?

Yes. For single-family housing there is a more developed secondary market, and local banking institutions are more willing to make those loans because they are easier. Multifamily is harder anywhere. We consider this an area where our System is doing some things but could do more.

One thing we are doing now is a pilot program in North Carolina initiated by the Atlanta Federal Home Loan Bank. A nonprofit loan consortium of most of the financial institutions in North Carolina makes long-term loans for affordable multifamily housing, some of which is in rural areas. The Atlanta Bank buys up to 80 percent of those loans, so the local member banks will have funds freed up for more affordable housing lending, and some of the risk from the local loans is passed on to the Atlanta Bank. We think that could spread across the country and could be done in very large volume. Another pilot program in New York is also dealing with participation, enhancing the capacity of local banking institutions to take on larger projects for housing production.

Last year the Finance Board supported the Enterprise Resource Bank Act, the “Baker Bill,” which would have made changes to the FHLBank System including broadening its mission from housing to community economic development. Many community-based housing organizations were concerned that could lead to a reduction in the funds available for affordable housing. How do you respond to those concerns?

The major issue of concern was an amendment to the Baker Bill that would reduce the Affordable Housing Program funds by 25 percent. That is an unnecessary change. I hope it doesn't occur.

Other than that, there wasn't anything in the bill that would suggest withdrawing credit support of housing in favor of community development. It's not actually accurate to suggest that the Baker Bill broadened our mission. Under the current law we already have both a housing finance mission and a targeted community development mission. This isn't about doing less housing activity; it is about doing less unrelated investment activity — which the banks have done to earn income — and doing more housing and community development.

How would community development efforts by the System be targeted to benefit low- and moderate-income persons?

Targeting means addressing unmet credit need, and that's the essence of our community investment obligations. In rural areas the credit need may not be only for those under 80 percent of area median income. We're beginning a process to establish a specific definition. But no one should fear that the Finance Board will open up the System's resources for untargeted community development activity. Certain populations and certain areas are underserved. We're going to encourage the Federal Home Loan Banks to help change that.

The Finance Board community representative position has been vacant for almost four years, and that slot would have been abolished by the Baker Bill. Do you think there is any possibility it will be filled? Or do you expect it to be abolished?

I think that the abolition of the requirement was relatively inadvertent in the Baker Bill. I don't think Congress necessarily wants to eliminate a community representative from the board. I think it would be a valuable addition. The appointment is really a question for the White House. I expect some action early in the second Clinton term on many appointments, including appointments to our board.

What other legislative initiatives might we see in the new Congress, and how will they affect housing credit in rural areas?

I think there will be some form of charter merger eliminating the difference between banks and S&Ls. Also, there will be some decision about how far to expand bank powers to do traditionally non-banking activities. Unfortunately, all the lenders are chasing the up-scale financial opportunities — everyone is chasing Wall Street when Main Street America is hurting for credit. This is where the Federal Home Loan Bank System and its continued viability is so important, to help community banks in America.

Housing credit in rural areas is also being affected by developments in the finance industry that aren't legislative. Credit in rural places is already more problematic than in urban areas, and it's not going to get any better as branches close and banks consolidate. The first places to get left out in a consolidated financial marketplace will be rural areas. There may be a need to focus on community development financial institutions in rural areas. In my view it's also very important for small mainstream financial institutions to exist as the life blood of credit in rural communities.

How do we keep those institutions around?

They have to be viable businesses but they don't need high levels of deposits, because institutions like the Federal Home Loan Banks can provide alternative funding for them. This System should make sure the cost and availability of funds for community banks is sufficiently competitive so they can make affordable loans and can do business. That's what made the thrift industry work in the 1930s. I think it's a big solution to what could be a big problem.

Can you tell us about some of the new initiatives the Federal Home Loan Banks are developing to help produce affordable housing?

One example is the Atlanta Bank's pilot program in North Carolina I mentioned earlier. Also, we've developed a partnership between some of our Banks, the USDA Rural Housing Service and Rural LISC. We hope to expand both these programs.

If people in rural areas have other ideas about how they could get more credit for rural housing we want to see them aggressively pursuing the members of the system and the Federal Home Loan Banks. If our rules are standing in the way, we want them to tell us, because we will rethink any rule that stands in the way of credit opportunity for loans. ♦

MUTUAL HELP ASSISTANCE LOAN PROGRAM HELPS SOUTHEAST ALASKANS BUY HOMES



by Jacqueline L. Johnson

At the Tlingit-Haida Regional Housing Authority we are proud of our new and unconventional Mutual Help Assistance Loan Program (MHALP). The program will help the Housing Authority accomplish its mission: “to help people achieve self sufficiency and pride through affordable housing opportunities.” Located in Juneau, Alaska, the Housing Authority has over 23 years experience in housing development. It

S'it'tuwan (By the Glacier) Subdivision in Juneau, Alaska, is the first development where homebuyers will receive loans through the new Mutual Help Assistance Loan Program.
Photo courtesy of Tlingit-Haida Regional Housing Authority.

serves the southeast Alaska panhandle, a narrow strip of land bordered by Canada on the east and the Pacific Ocean on the west.

The largest portion of land in Southeast Alaska is undeveloped and is included within the Tongass National Forest. The area's main "highway" is the Alaska Marine Ferry System, as most communities are located on islands and accessible only by boat or plane. Most of the region is rural; the largest city is Juneau, the state capital, with a 1995 population estimated at 29,755. The smaller communities are predominantly Indian (Tlingit and/or Haida) villages, with a subsistence lifestyle. As is the case throughout Alaska, the tribal areas have the highest unemployment, the lowest incomes, and the highest proportion of persons without a high school degree.

Housing tends to be very costly in Southeast Alaska, and throughout the state. Constructing a home is very expensive due to the climate, terrain and cost to develop forest or marshlands. The appraised value for a three- or four-bedroom home is in the range of \$150,000-\$175,000, out of reach of most applicants.

Alaska Natives are not unlike the general population in terms of housing preferences. Most would like to be homeowners and live in single-family detached homes. But economic depression, seasonal jobs, inadequate savings for downpayment and poor credit history prevent most from obtaining homeownership. Our clients also have little access to financial institutions and are reluctant to approach banks or mortgage companies.

In preparation for congressional



CRAIG, ALASKA
Homeowners are gathered together for counseling and maintenance orientation just before being handed keys to their new homes.

budget cuts, the Housing Authority used 1996 as a building year. We focused on restructuring, team building and exploring new funding resources and opportunities to remain an effective housing provider.

CONSTRUCTING A HOME IS VERY EXPENSIVE DUE TO THE CLIMATE, TERRAIN AND COST TO DEVELOP FOREST OR MARSHLANDS. THE APPRAISED VALUE FOR A THREE- OR FOUR-BEDROOM HOME IS IN THE RANGE OF \$150,000-\$175,000, OUT OF REACH OF MOST APPLICANTS.

Existing programs were examined and improved or new programs created. As a leading developer in our area, where the housing shortage is still critical, we could not afford to wait. We sought the resources it would take to continue building the quality and size of homes we were accustomed to. At the same time, we wanted to continue building affordable homes for low-income families in Southeast Alaska.

The Mutual Help Home Ownership Opportunity (MH) Program was one program that

needed to be updated. Even though the existing Mutual Help Program is very popular in Alaska, it could not sustain itself without the subsidy it receives from HUD. Mutual Help Housing makes up 93 percent of the Indian housing developed in Alaska. Its popularity rests on the affordable payments and the opportunity given to low-income families to own their own homes.

The Housing Authority created the Mutual Help Assistance Loan Program as a hybrid of the Mutual Help Program. To create this unconventional loan program with our clientele's needs in mind, we examined many programs to find which qualities would make our loan program self-sustaining, yet appealing to first-time homebuyers and lower-income families. In the new program, we kept the Mutual Help program's affordable payments and also its option to purchase.

Advantages of the MHALP Program are numerous. Like the MH Program, MHALP gives preference points to Alaska Native and Indian families. In fact, the acute shortage of housing and related facilities in Alaska's villages is the very reason Housing Authorities were created. In most villages the private sector does not provide enough housing.



SAXMAN, ALASKA
One year after moving into their new home, homeowners have made many improvements such as the new deck and a paved drive at this home.

Seasonal jobs (fishing, logging, construction) make up the majority of employment opportunities in the villages, so income varies and is unpredictable. Our target is families whose income does not exceed 80 percent of median income. For MHALP purchasers, monthly payments are limited to 26 percent of income. We recertify each homebuyer's income periodically, adjusting monthly payments either up or down, depending on income, but not less than a minimum payment of \$450. The down payment is only a portion of what a conventional borrower would pay.

To make our homes affordable to our homebuyers, a Subsidy Assistance Account was created to make up the difference between the monthly payment a family could afford to pay and the 6.5 percent interest rate of the program. There is no interest charged on the Subsidy Assistance Account. If a family chooses to sell its home, the subsidy assistance must be repaid. When a homebuyer remains in the program and completes the requirements of its 25-year loan, the homebuyer then

has five years in which to repay the Subsidy Assistance Account.

Prior to entering into an agreement with the Housing Authority, our homebuyers must first attend a homeownership workshop. The purpose is to prepare families for homeownership and take the uncertainty and confusion out of buying a home. Under the MHALP, unlike the Mutual Help Program, we also look at a homebuyer's credit history and work with them to resolve credit problems. A section on budgeting is helpful to new home buyers and prepares them for the responsibility of maintaining a home. The advantages and disadvantages of owning a home are discussed in detail. We want families to feel comfortable with their deci-

sion to purchase a home versus renting as has been their custom. We want to be certain that our new homebuyers are committed to becoming homebuyers and the added responsibilities that come with ownership.

The structure of the MHALP program demonstrates how the Housing Authority includes cultural aspects and knowledge of its people when it designs its programs. Without the MHALP Program, the families who have been provided with this once in a lifetime opportunity may have never obtained homeownership. ♦

Jacqueline L. Johnson is the Executive Director of Tlingit-Haida Regional Housing Authority in Juneau, Alaska.



JUNEAU, ALASKA
A playground with a paved basketball court, picnic tables and benches, a swing, and many other pieces of playground equipment is a part of the Housing Authority's Juneau development.

PARTNERSHIPS CREATE AFFORDABLE HOUSING FOR RURAL IOWANS



by Ruth Wielgosz and Maggie McCartan

Building and managing apartments was not part of the plan when the Northeast Iowa Community Action Corporation (NEICAC) was founded in 1965 to fight the War on Poverty. For 30 years NEICAC pursued its mission of "challenging families and individuals to develop skills, knowledge and resources necessary to become self-sufficient" by providing a variety of social services to a seven-county service area from its office in Decorah, Iowa. Working with low-income clients made NEICAC acutely aware of the need for affordable housing. In 1992 Mary Ann Humpal and Bill Iverson, NEICAC's Executive Director and Deputy Director, decided to tackle the ambitious goal of developing affordable housing in the region. This goal was achieved by developing numerous partnerships with a wide variety of organizations.

Initially, with the cooperation of the Northeast Iowa Community College in nearby Calmar and other local groups, NEICAC applied for YouthBuild funding. The application was rejected twice, so staff decided to apply to the U.S. Department of Housing and Urban Development's HOME program instead.



Community volunteers paint newly constructed apartments in Calmar, Iowa. Photo courtesy of NEICAC.

In order to receive funding from HOME, a nonprofit must be certified as a Community Housing Development Organization (CHDO) by the state government agency that administers HOME. The Iowa Housing Corporation, a statewide nonprofit contracted by HUD to provide technical assistance for CHDOs, helped NEICAC apply for CHDO status. Once approved, NEICAC applied for a HOME predevelopment loan, which was approved in December 1993. Northeast Iowa Community College President Don Roby and Department Chair Charles Atchley were still interested in developing housing with NEICAC and pledged free labor and supervision from the Construction Trades Department's hands-on training program.

With the predevelopment loan money NEICAC hired Comprehensive Housing Services of Des Moines, a housing consultant, to assess housing needs in the area and to study the feasibility of several

project ideas NEICAC was considering. In October 1994 the consultant identified Calmar as the location with the greatest need for affordable housing. Calmar had always had a shortage of affordable housing, which had become more severe as the Northeast Iowa Community College's enrollment doubled in the first half of the 1990s. Most students attend the college to improve their earning power, but, of course, while they are students their incomes remain low (80 percent receive financial aid). The housing consultant recommended the Calmar project idea because any site selected would be close enough to the college for NEICAC to take advantage of their free labor offer. Another factor in Calmar's favor was its proximity to NEICAC's office in Decorah, making access to the site easy for NEICAC's staff as well.

Once the Calmar site had been selected, NEICAC began creating local support for it. Unlike many developers of affordable housing, NEICAC encountered no community opposition. Because NEICAC was already well-known and respected in the area, people were predisposed to trust the organization. The small size of the town also helped spread support through informal contacts. By the time the project started the community was agreed that the housing was needed, and expected that the project would contribute to the local economy.

NEICAC considered two sites in Calmar. It bought a piece of land owned by Calmar Development Corporation, a nonprofit organization formed by local businesspeople to promote economic development in Calmar. The nonprofit agreed to sell the site for less than its



Northeast Iowa Community College Construction Trades Department students pour the foundation (left). The first building nears completion (below). Photos courtesy of NEICAC.



appraised value. NEICAC used its own funds to pay for the land, and spent the rest of the HOME predevelopment loan to create a Housing Coordinator staff position and hire an architect.

Next NEICAC approached local banks for a loan to begin financing construction. The best offer came from Community First State Bank in Decorah, which offered a below-market interest rate.

Lastly NEICAC approached the City of Calmar for a tax abatement. NEICAC had previously found that city governments in the region were reluctant to grant these to affordable housing programs, but the groundwork of support laid in Calmar paid off. The Calmar City Council agreed to continue to tax the project at the same rate for the next ten years, as if it were undeveloped land.

By spring 1995 these local partnerships were in place, and NEICAC

began to apply for more construction funding further afield. Iowa Housing helped develop budgets and prepare applications to HOME and to the Housing Assistance Fund of the Iowa Finance Authority. Community First State Bank submitted an application for NEICAC to the Affordable Housing Program (AHP) of the Federal Home Loan Bank of Des Moines. Shortly afterwards NEICAC also applied to the regional utility company, Interstate Power, for a rebate for its planned use of energy-saving construction methods. By the end of June 1995 the grants, loans and rebate were approved, and construction could begin.

Phase I of construction, the first six apartments, began on July 6,

Organizations and their Contributions to Phase I of the Construction of Calmar Apartments (in roughly chronological order of contribution offer)

<i>Name of Organization</i>	<i>Contribution</i>
Northeast Iowa Community Action Corp.	\$69,684 for labor, materials, land, and repaying predevelopment loan
Northeast Iowa Community College	\$191,190 in labor and supervision
Housing Assistance Council	TA for understanding national housing funding sources; office equipment; developing long-term housing strategy
Iowa Housing Corporation	TA for CHDO certification and for loan and grant applications
Iowa Department of Economic Development (state agency that administers HOME)	\$25,000 predevelopment loan (repaid) \$173,266 grant and loan (20-30 year term) for construction
Calmar Development Corporation	Discount on land (final price: \$17,500)
Community First State Bank	\$63,550 loan (mortgage) at below market interest rate for construction; submitted AHP applications
City of Calmar	Ten-year 100% tax abatement on land
Federal Home Loan Bank's Affordable Housing Program	\$12,000 grant for construction; \$6,000 grant for unforeseen infrastructure
Iowa Finance Authority's Housing Assistance Fund	\$15,000 loan (20-30 year term) for construction
Interstate Power	\$9,120 rebate for energy efficient construction methods
Total Cost of Phase I	\$558,810

1995. Toward the end of the year the city decided to pave the road past the project. NEICAC, like other residents, was required to pay for sewer expansion and guttering. An additional AHP grant was secured to cover this expense. The construction proceeded without a hitch.

The first six units of Calmar Apartments were finished in September 1996 and fully occupied by October. The apartments are located on the northwest edge of the Northeast Iowa Community College campus, so residents have easy access to classes and child care. Four of the tenants are students at the college. Construction has begun on another six units as Phase II of the project and is expected to be completed in May 1997.

The apartments have a geothermal heating and cooling system that is expected to result in energy bills one-sixth of the usual cost for the area. Seven wells are drilled into the ground to below the frost line (the depth to which the ground freezes in winter). A mixture of antifreeze and water is pumped continuously through loops of hose. In the winter the system transfers solar energy stored in the earth into the apartments, and in summer heat from the apartments is transferred into the earth.

For Phase II, the basement will be constructed with an innovative technique called ICE block. Sheets of styrofoam blocks, linked together by metal rods, are put in place and then filled with concrete. ICE block

offers more insulation than a conventional basement wall, and is easier to handle during construction. It will also qualify NEICAC for another rebate from Interstate Power.

The new residents of NEICAC's housing are not the only ones to benefit from the development. The Construction Trades students gained valuable work experience that will greatly improve their employment opportunities, and at a more convenient location than other hands-on training had been in the past. NEICAC hopes that having participated in the project will prompt students to become involved in future community development work, enriching the entire community. In addition, local businesses benefited from NEICAC's hiring contractors and purchasing building materials.

Finally, NEICAC has inspired private housing developers to build in Calmar by proving that there is a market for rental housing. One private developer has built 12 new apartments in Calmar and is planning to build 12 more. Another private developer is said to be planning another multifamily development.

NEICAC is already planning its next project, 16 units of housing for the elderly in Decorah. This project will use HOME funds, but will rely mainly on the Low Income Housing Tax Credit for financing. The success of its first housing project points to a strong future for NEICAC as a developer of affordable housing. ♦

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The Native American Housing Assistance and Self-Determination Act of 1996



by the National American Indian Housing Council

On October 26, 1996, President Clinton signed into law the Native American Housing Assistance and Self-Determination Act of 1996 (P.L. 104-330). The Act, which becomes effective October 1, 1997, separates Indian housing from public housing, a long-held desire in Indian Country which both the National American Indian Housing Council and the National Congress of American Indians have supported. Under the legislation, Indian housing is no longer governed by the U.S. Housing Act of 1937, which addressed the housing needs of "low-income Americans," but did so with mostly urban Americans in mind. The legislation marks the first time that the federal government has made a statutory declaration of its trust responsibility to house Native Americans.

Designed to "assist and promote affordable housing on Indian reservations and in other Indian areas for occupancy by low-income Indians," the new Act provides for the majority of housing assistance from the Department of Housing and Urban Development (HUD) to be awarded

in the form of block grants for tribes and their "tribally designated housing entities," or TDHEs. A TDHE can be an existing Indian housing authority (IHA) or another housing entity specified by a tribe to receive the new block grant funds.

This block grant allocation replaces most housing assistance currently financed by HUD through a variety of categorical grants. It terminates the Indian housing provisions of the Housing Act of 1937; Indian housing access to rental housing (unless established pursuant to a contract entered into prior to September 30, 1997); and Indian housing eligibility for YouthBuild, HOME, and Housing Assistance for the Homeless Programs. TDHEs will still be eligible for public housing drug elimination programs (Title VII).

One of the most significant changes resulting from this new legislation is that all federally recognized tribes will be eligible to receive block grant funds for Indian housing. Not only does this afford tribal governments more authority in housing decisions for their areas, but it also allows tribes who previously were not eligible to receive housing assistance (i.e., did not have a housing authority) to receive federal block grant funds for housing.

As specified under the Act, the first priority for block grant fund use is for the operation and maintenance of existing housing stock developed under the U.S. Housing Act of 1937. A listing of eligible activities for which block grant funds may be used includes operating assistance, development, housing services, housing management services, and crime prevention programs. Block grant funds can also be used for model housing projects that are specifically approved by HUD. Finally, after meeting current obligations, tribal housing agencies are permitted to use their block grant funds for a variety of investments, including equity investments, interest-bearing loans or advances, noninterest-bearing loans or advances, interest subsidies, and leveraging of private investments.

In general, housing and housing assistance are restricted to "low-income Indian families on reservations and other Indian areas." Other services, however, such as homeownership activities, model activities, and loan-guarantee activities may be provided to families who are not low-income if there is no alternative housing available, and if HUD approves of their provision. Similarly, TDHEs may specify a preference for Indian residents in

their plans, but may also provide housing for non-Indian families if their needs cannot otherwise be met.

Indian housing plans will be a new required component under the new legislation. Tribes or TDHEs must submit both Five-Year Plans and One-Year Plans. Although plans must be submitted each year, tribes or TDHEs can submit updated rather than new yearly plans, as long as they discuss and present new plans every five years. The specific requirements for the comprehensive housing plans will be determined through negotiated rulemaking. Planning requirements for "small tribes" may be waived.

Other provisions of the Act include federal guarantees for financing, expansion of the Section 184 program to allow tribal participation, and extension of the lease period for trust or restricted lands by the owner to 50 years, subject to approval by the tribe and the federal Bureau of Indian Affairs. Formerly, such leases were limited to 25 years.

The formula by which block grant assistance will be allocated is not yet determined, since total funding for the Act is not yet specified. Formula development is perceived to be a matter of utmost concern, since it must equitably represent the

interests and needs of small, medium, and large tribes. It must also make allowance for increasing modernization needs for existing housing stock as it ages. The formula is currently being developed through the negotiated rulemaking process.

Statutory factors upon which HUD should base the allocation formula include:

- A. number of low-income housing units already owned by the tribe/TDHE;
- B. extent of poverty and distress in the area, and number of Indian families within "Indian areas of the tribe";
- C. other objectively measurable conditions, as determined in the negotiated rulemaking process.

HUD should also consider these factors:

- A. administrative and technical capacity, as well as other challenges faced by recipient;
- B. effects of terminated funding for state-recognized tribes.

Until September 1, 1997, when final regulations for P.L. 104-330 must be published by HUD, specific directives for implementing the legislation will be discussed and modified by two negotiated rulemaking committees. One committee will address the regulations for the legislation; the other will focus specifi-

cally on determining the allocation formula for block grant funds. These committees, which will meet once a month over a six-month period, are comprised of tribal leaders and IHA executive directors from all regions of the country.

The Native American Self-Determination and Housing Assistance Act of 1996 creates a system that affords tribes and TDHEs more flexibility to create housing that best meets the needs of their specific communities. TDHEs and tribes will now receive block grants to meet housing needs, with the condition that they meet specified requirements. Many of the regulatory guidelines that will govern the Act's implementation are in process, and will continue to be influenced by technical amendments in Congress, as well as by the work of the negotiated rulemaking committees. The challenges that Indian housing agencies face in the near future are many; their opportunities, however, are many as well. ♦

This is a shortened version of an article that first appeared in National American Indian Housing Council's Pathway News. For further information about the legislation, please contact NAIHC at 202-789-1754.

HAC Facts continued from page 1

HAC REPORT DESCRIBES RURAL HOUSING COUNSELING PROGRAMS

Housing counseling has become increasingly popular in rural areas as well as in cities. Rural counseling programs are different from urban efforts, according to *Housing Counseling in Rural America*, a new report from HAC. The report focuses on describing some of the programs presently used in rural areas. It includes not only pre-purchase counseling, but also assistance for homeowners who are delinquent or defaulting

in their mortgage payments, and counseling for tenants.

The study also reviews research concerning the effectiveness of counseling and concludes that, while researchers have not been able to prove effectiveness based on objective criteria, housing groups and counseling providers are convinced that counseling is important.

Housing Counseling in Rural America is available from HAC for \$7, including postage and handling. Send a check to HAC's national office or call Luz Rosas to order with a credit card.

HAC's 1996 National Rural Housing Conference A Success

by Norma C. López

In early December the Housing Assistance Council, in cooperation with 41 national and regional housing organizations, sponsored the 1996 National Rural Housing Conference in Washington, DC. The conference, "Preparing for the Future: New Directions, New Visions," focused on the importance of keeping up with a changing world, and helped to celebrate HAC's 25th anniversary. The conference was a huge success both for HAC and for attendees.

Approximately 700 people concerned with rural housing participated in the Conference, the highest number of participants ever to attend. Participants came from 47 states and the District of Columbia. Many were participating for the first time.

Contributing to the success of the conference was the active participation of the cosponsors. Cosponsors formed an advisory committee and helped develop the curriculum containing 37 different workshops. The advisory committee did an excellent job of creating a diverse set of workshops that benefitted participants interested in financing housing development, nonprofit capacity building, housing development, and special issues.

Special features were incorporated into the conference to meet

attendees' needs. For example, a number of interest groups met during a day of special pre-conference activities. These included those who use the Rural Housing Service Section 514/516 Farm Labor Housing program, the National Rural Housing Coalition (Executive Committee and HUD Interest Group), the National Council of La Raza (informal gathering of the Latino Housing Advisory Committee (LHAC)), the National Rural Self-Help Housing Association, and the National Farmworker Housing Project Directors Association.

The conference itself began on December 12, and featured an extensive list of impressive speakers and exciting special events. Moises Loza, HAC's Executive Director, started the event by introducing keynote speaker Dana Jones, Executive Director of the Tri-County Community Development Corporation in Hughesville, Maryland. Mr. Jones' rousing speech about preparing for the future and the need for individuals to make public officials accountable for their actions was met by booming applause and cheers.

Dan Glickman, Secretary of the U.S. Department of Agriculture, spoke at a luncheon sponsored by the National Rural Housing Coalition on December 12. The Secretary spoke about the Clinton Administration's programs for rural

areas including several initiatives such as Water 2000, Empowerment Communities/Enterprise Zones, and access to technology for health and education purposes. He also praised the self-help program.

That evening two of the Housing Assistance Council's and rural housing's most vocal supporters joined HAC to celebrate its 25th anniversary. Representatives Alan D. Mollohan (D-W.Va.) and Bennie Thompson (D-Miss.) welcomed the participants and vowed to keep working on behalf of rural housing. During the reception a video debuted entitled "Milagritos, When Communities Create Farmworker Housing," showing the severe negative impact that the lack of safe habitable housing has on the health of farmworkers. The video was developed by farmworker housing advocates and produced by the Public Interest Video Network in conjunction with the National Center for Farmworker Health.

Jill Long Thompson, USDA Under Secretary for Rural Development, kicked off the activities early on December 13. The Under Secretary introduced a video, produced by the National Rural Self-Help Housing Association and USDA's Rural Housing Service, highlighting the impact of mutual self-help housing on individuals, families, neighborhoods, and communities. The video demonstrated how families partici-

pating in the self-help program become prosperous as a result of the skills learned while building the houses and celebrated the 25th anniversary of USDA's self-help housing program. The Under Secretary also introduced a panel of Rural Housing Service staff to answer questions from participants about programs, policy, and other issues.

Wendy Sherman, CEO and President of the Fannie Mae Foundation, spoke at the December 13 luncheon. To show the Fannie Mae Foundation's support of rural projects, Sherman announced a \$500,000 loan to HAC's revolving loan fund. Robert Greenstein, Executive Director of the Center for Budget and Policy Priorities, also spoke, presenting an overview of the budget changes that have taken place over the last two years. He also remarked on the forthcoming changes triggered by the Welfare Reform Act and gave a forecast of the budget policies affecting the rural poor.

On the evening of December 13 attendees were treated to the Housing Assistance Council 25th anniversary gala. HAC announced the winners of the Skip Jason Community Service Award, given to individuals whose efforts have improved the housing conditions of the rural poor in their communities. These award winners work "in the trenches" and usually go unrecognized outside their communities. The 1996 award winners were *Clanton Beamon*, Executive Director of Delta Housing Development Corporation, *Steve Mainster*, Executive Director of Centro Campesino, and *Rito Medina*, founder and long-time



Congressmen Bennie Thompson (D-Miss.) (left) and Alan D. Mollohan (D-W. Va.) (right) joined HAC Executive Director Moises Loza and conference participants to celebrate HAC's 25th anniversary.

Board Chairman of Tierra Del Sol Housing Corporation.

Maureen Kennedy, former Administrator of the Rural Housing Service, was presented with the Clay Cochran Award for Distinguished Service in Housing for the Rural Poor. The award is given to individuals who have provided outstanding and enduring service, with national impact, for the betterment of housing conditions for the rural poor.

On this special occasion, HAC also presented an award to Representative *Henry B. Gonzalez* (D-TX). Much of HAC's work and the activities of local partners would not have been possible without the programs created and sustained by Congressman Gonzalez, who was Chairman of the House Banking Committee and its Housing Subcommittee for many years. The HAC board of directors found it highly appropriate to recognize his unique long-time accomplishments and leadership.

The last day of the conference started early with a networking/issue round table breakfast. Gregory A. Hyson, Vice President and Regional Manager, Bank of America, opened the program and emphasized the impor-

tance of networking. Afterwards, attendees participated in roundtable discussions on topics including housing for people with AIDS, housing in the colonias, microenterprises in rural areas, nonprofit trends and outlook for the future, women and homeownership, and faith-based housing.

The conference concluded with a session titled "New Directions, New Visions: How to Meet the Need for Affordable Housing in the Year 2000 and Beyond," led by Cushing Dolbeare, Consultant on Housing and Public Policy; Moises Loza, HAC's Executive Director; Richard Tucker, HAC's Chairman; and Maria Luisa Mercado, President of the HAC board of directors. Participants offered suggestions and ideas about the vision and direction national organizations such as HAC can create to alleviate severe housing needs. HAC is preparing responses to these comments and should be sending a report to the participants soon.

Evaluations received from participants indicated a high level of satisfaction with the conference. Most participants rated the conference as "excellent." Participants praised the content, speakers, and networking opportunities. The ingredients to a successful National Rural Housing Conference came from great planning and cooperation from cosponsors, HAC staff, and participants. The Housing Assistance Council thanks everyone involved and invites everyone back for our next conference. ♦

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HAC

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Designed by Design Powers



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The Housing Assistance Council (HAC) is a national nonprofit corporation founded in 1971 and dedicated to increasing the availability of decent housing for low-income people in rural areas.

HAC strives to accomplish its goals through providing seed money loans, technical assistance, training, research and information to local producers of affordable rural housing. HAC maintains a revolving loan fund providing vital seed money at below market interest rates to rural housing developers. Developers can use these funds for site acquisition, development, rehabilitation or new construction of rural, low- and very low-income housing. HAC has a highly qualified staff of housing specialists who provide valuable technical assistance and training, and research and information associates who provide program and policy analysis and evaluation plus research and information services to public, nonprofit, and private organizations. HAC's subsidiary Rural Housing Services (RHS) syndicates rural housing developed with the Low Income Housing Tax Credit.