Rural Voices

Summer 1999, Vol. 4, No. 3
The Magazine of the Housing Assistance Council

Housing in the Rural Midwest

IN THIS ISSUE . . .

Rural Midwest Housing
East Central Kansas Success
50 Years of Rural Housing
Appropriations Forecast . . . and more.

MESSAGE TO OUR READERS

Dear Friends

This issue of *Rural Voices* celebrates two events. In some ways these events are very different, but both are part of improving housing for rural Americans.

The first event occurred in 1949. That summer, exactly 50 years ago, the Housing Act of 1949 became law and created the first of the rural housing programs we still use today. From relatively small beginnings — a Section 502 direct loan program for homeownership and a Section 504 loan and grant program for home repairs, both available only to farmers — the U.S. Department of Agriculture's rural housing programs have grown to a lengthy list of tools for financing better housing, and have improved the homes of many tens of thousands of rural residents. In honor of the programs' anniversary, *Rural Voices* explores the passage of the 1949 Act, examines some changes over the last 50 years, and describes the historical beginnings of the popular self-help housing program.

The second event happened in late May this year. The Housing Assistance Council formally dedicated its fourth regional office. Located in Kansas City, Mo., and focused on serving the Midwest, this field office joins others in Atlanta, Ga.; Albuquerque, N.M.; and Mill Valley, Calif. Housing programs in the Midwest are not a new topic for *Rural Voices,* but this issue does emphasize that part of the country. One article provides an overview of rural housing conditions in the Midwest, and another describes the successes achieved by one community action agency in Kansas.

More good news is provided in our View From Washington department, which describes funding increases likely to be adopted for rural housing in fiscal year 2000.

Sincerely,

Richard W. Lincoln
Chairman

Peggy R. Wright
President

Moises Loza
Executive Director

TABLE OF CONTENTS

Features

3 **Rural Midwest Housing Reality Is Complex and Diverse**
Rural Midwesterners face issues of housing cost and quality not always recognized by those in the rest of the country. Elderly residents, Native Americans, migrant workers, new immigrants, and those moving from welfare to work face particular challenges connected with housing.

6 **East Central Kansas Group Succeeds in Providing Much-Needed Rental Housing**
A community action agency serving seven counties in Kansas has combined numerous funding sources and partnered with local governments, state agencies, and banks to provide low-density rental housing for local residents.

10 **A Decent Home: The Background and Early Beginnings of the Housing Act of 1949**
Fifty years ago, rural housing problems were admittedly severe, but congressional supporters had difficulty passing the legislation that created the Section 502 and 504 programs, the first among the rural housing programs still popular in 1999.

14 **The Evolution of Modern Rural Mutual Self-Help Housing**
The modern rural mutual self-help housing program developed over several decades, based on the work of many dedicated individuals and organizations.

1 HAC Facts

16 A View From Washington
Rural Housing Forecast: Details Look Bright and Sunny, but Big Picture Is Under a Cloud

Cover photos (clockwise from upper left): downtown Ottawa, Kansas; homes in rural South Dakota; a South Dakota landscape. Photos by Leslie Strauss, HAC.

HAC Facts

Notes about some of the many recent activities, loans, and publications of the Housing Assistance Council

HAC Opens Midwest Office

On May 21 a modest office park in Kansas City, Mo., hosted the grand opening of the Housing Assistance Council's new Midwest Office. Operating since March, the office focuses its efforts in 13 states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, Oklahoma, South Dakota,

Photo by Joyce Bishop.

A ribbon cutting ceremony marked the formal grand opening of HAC's Midwest Regional Office. Officiating were (left to right) Richard W. Lincoln, Chairman of the Board of Directors; Thomas A. Bishop, Midwest Regional Director (partially hidden); Peggy R. Wright, President; and Moises Loza, Executive Director.

and Wisconsin. In keeping with HAC's mission the new office will assist organizations in the Midwest who are concerned about affordable housing for low-income people in rural America. HAC's three other regional offices will continue to serve the Southeast, Southwest, and West, while the national office in Washington, D.C. works nationwide. HAC is pleased to welcome Midwest Regional Director Tom Bishop and Administrative Assistant Stephanie Nichols, who will be joined by a Housing Specialist yet to be hired.

$5.6 Million in SHOP Loans to Yield 795 Self-Help Units

HAC's Loan Committee approved $7.5 million in loans for 48 applicants in late March. The Self-Help Homeownership Opportunity Program (SHOP) provided $5.6 million, with $1.9 million drawn from other HAC loan funds. The SHOP loans will help local developers and homebuying families to create 795 new "self-help" homes. Purchasing families each put up to 1,000 hours of sweat equity into building their own homes.

HAC's funds help pay for land and infrastructure costs, which are among the most difficult items for local nonprofits to finance. Each home may receive a maximum of $10,000 in SHOP funds. Permanent mortgages for the buyers come from various sources, including the U.S. Department of Agriculture's Rural Housing Service (RHS) Section 502 loan programs, the Federal Home Loan Banks' Affordable Housing Program, HUD's HOME program, and some state and private funds.

New SHOP Funds Awarded to HAC

In late June the Department of Housing and Urban Development (HUD) awarded HAC an additional $6.0 million under the 1999 funding round of the SHOP program. HAC will pass the funds on to local self-help housing groups for production of at least 600 homeowner units using sweat equity and volunteer labor. This is HAC's third SHOP award. With the $18.3 million distributed by HAC in SHOP "I" and "II," over 90 local groups in 31 states are building almost 2,500 self-help homes, including the 795 for which loans were made in March (see item above).

Working Group Convenes on Rental Preservation

HAC is an active participant in a group of organizations working to preserve affordable rental housing in rural areas. Convened by the National Housing Conference, the working group includes representatives of nonprofit organizations, for-profit developers, trade associations, advocates, government agencies, and others. All are concerned about the preservation of affordable units for rural tenants as project owners seek to prepay subsidized mortgages. Ad hoc subcommittees are tackling several different aspects of the issue. These include ensuring adequate funding for RHS's Section 515 rental housing production loan program and Section 521 rental assistance program, avoiding adverse tax consequences for prepaying owners, compiling available data on properties and tenants, and making funds available for an inventory of property conditions.

Innovative Homeownership Opportunities Developing in Western Maryland

Sixty new homes will be built in Taneytown, Md. next year with loans from HAC and several other sources.

CONTINUED ON PAGE 2

Photo by Hedi Jones, HAC

Interfaith Housing of Western Maryland, under the leadership of Executive Director Jim Upchurch, will develop 60 new homes in Taneytown with assistance from HAC.

The nonprofit developer, Interfaith Housing of Western Maryland, will receive a loan of $202,000 from the HAC-administered SHOP program to purchase a site in the western Maryland town, population 7,800. The current owner has agreed to donate 18 of the 62 lots, and to sell the rest below market value. Then HAC's Rural Housing Loan Fund will provide $656,000 at low interest for site development work such as road construction, sediment control, landscaping, and culvert construction.

Forty of the homes will be self-help units, built with "sweat equity" from their purchasers. Contractors will build the other twenty. In addition to the HAC loans, development financing will come from Interfaith's own internal loan fund, the city of Taneytown, and Westminster Bank. Up to thirty of the self-help units will be sold to families with incomes below 50 percent of the area median. They will receive Affordable Housing Program grants of approximately $7,500 per unit, bank loans of $5,000 to $30,000, and low-interest Rural Housing Service Section 502 loans to cover the remainder of the $103,000-$120,000 purchase price. Interfaith Housing has set aside two lots for a building that would accommodate a child care center with space for 100 children, a Head Start program, and a family services center.

HAC and County to Provide Colonias Mortgages

Some of the worst housed residents of El Paso County, Texas will improve their homes and their ownership status, thanks in part to a HAC loan. The county's Community Development Department (CDD) will use a HAC loan of $303,000 to make small loans to homeowners in colonias, unincorporated communities that often lack basic infrastructure such as water and sewer systems and paved roads. Many colonias residents own their homes under a "contract for deed" system. Unlike a standard mortgage, a contract for deed allows the seller to repossess the property after only a single late or missed payment. To complicate matters further, colonias residents often have incomes too low to afford large expenditures for rehabilitation such as a new roof or plumbing.

El Paso County's CDD has obtained over $1 million in loans and grants from the state of Texas to assist colonias residents who have access to public water. The county buys out existing contracts for deed, replacing them with standard mortgages and adding enough money to the mortgages for owners to rehabilitate their homes. HAC's loan will enable the county to establish a similar program for people living in colonias without public water systems. Individual loans will not exceed $15,000. At 0-4 percent interest for four to six years, the loan payments will be affordable for low-income families.

Additional assistance will come from the El Paso Collaborative, an umbrella organization for nonprofits working with low-income communities; AYUDA, Inc., a local nonprofit housing provider; and Cooperative Extension agents from Texas A&M University. Homeowners will help keep costs down by assisting with the rehabilitation of their homes. HAC has committed to help raise $100,000 in grant funds to help residents further by providing additional financing that need not be repaid.

HAC Loan Builds on Success in East Texas

A construction loan from HAC — a relatively new type of loan product offered by the organization — will help a local development group provide six affordable homes in Lufkin, Texas. Formed in 1997, Pineywoods HOME Team has received two loans from HAC in its two years of housing development work. One of those loans enabled Pineywoods to purchase land in Lufkin for as many as 50 single-family lots. (That loan was described in "HAC Facts" in the winter 1997-98 issue of *Rural Voices.*) The new HAC loan, totaling almost $259,000, will finance the construction of homes on six of those lots.

One of the houses will have two bedrooms, while the rest will have three bedrooms each, up to 1,267 square feet in size. The homebuyers will receive Federal Housing Administration insured mortgages, with "soft second" mortgages for up to $20,000 in downpayment assistance from a state-supported mortgage company. Under this arrangement the homes will be affordable to "working poor" families whose incomes fall between $18,000 and $22,000, including some with incomes less than 60 percent of area median.

Rural Midwest Housing Reality Is Complex and Diverse

by Ann Ziebarth and Jeff Crump

Small towns in the Midwest, like communities across the country, are facing changes and challenges. Although the popular image of the Midwest is of an idyllic pastoral countryside dotted with small, friendly towns with well-kept houses, there are significant problems associated with housing in the region. Many small towns face problems with increasing housing costs, an older housing stock, and community conflicts over housing issues. Many residents, especially elderly, poor, and minority households, face difficulties in finding and maintaining decent housing. This brief overview of housing in the rural Midwest Region provides a picture of the region's diversity.

Housing in the Rural Midwest

Compared to the U.S. generally, Midwesterners are more likely to be homeowners and more likely to live in mobile homes. The houses they occupy are older and in greater need of repair and modernization. Midwesterners respond to the need for home improvements with a "do-it-yourself" approach. The Midwest is the only region of the country in which half of the households making home improvements do the work themselves. As a result of this "sweat equity" the spending for home repairs in the Midwest is lower than the national average. Moreover, the efforts at home improvements are successful with only 3.37 percent of households living in inadequate housing compared to 7.05 percent across the U.S.

The geography of the "Midwest Region" is not uniformly defined. The U.S. Census Bureau delineates the Midwest Region as the east north central states of Illinois, Indiana, Michigan, Ohio, and Wisconsin along with west north central states of Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota. The Housing Assistance Council's Midwest Regional Office serves Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, and Wisconsin.

Still, more than 68,500 rental units and 169,000 owner-occupied units are substandard according to American Housing Survey measures of adequacy. In the Midwest, substandard housing tends to be scattered among higher quality homes. For example, in the Missouri Ozark area a unique juxtaposition of poverty and wealth has created a mix of housing problems within close proximity. Shabby stucco storefront conversions, grand colonial brick houses, and derelict mobile homes are found next to each other.

Environmental conditions also impact housing quality in the rural Midwest. Run-off of agricultural pesticides and fertilizers threatens the quality of the groundwater, a particular concern for rural households that rely on wells for their drinking water. The development of large-scale livestock confinement facilities has raised concerns over air, as well as water, quality. Other common environmental hazards include leaking underground fuel storage tanks, fumigants associated with grain storage areas, and nuclear waste storage sites.

Midwest housing costs less than in other regions, often leading to a misperception that housing is more affordable there. Yet housing costs, especially for homeowners, are rising rapidly while property values have declined. And while average rents may be lower, the higher cost of utilities often makes housing less affordable. The average Midwestern household spends just over one-third of their income on housing and the rate of housing poverty is higher in the Midwest than the United States as a whole. (Housing poverty results when housing expenditures are so high that the remaining income is less than two-thirds of the poverty income level.)

Special Needs Populations

Second homes are popular among Midwesterners with higher incomes, and vacation homes often become full-time residences as owners retire. This transition can be a boon to small town economies, but also results in an increased demand for services. The growing concentration of elderly residents results from both the relocation of retirees and those who stay at home and "age in place." In rural communities throughout the region, aging in place is common, as most elderly people do not relocate unless poor health forces them to do so. In

CONTINUED ON PAGE 4

Photo by Tom Bishop, HAC

Elderly residents of the rural Midwest may find it difficult to locate good quality affordable housing in convenient locations that enable them to remain independent. The Courthouse Square Apartments provide such housing: 26 modern one-bedroom apartments in a former hotel located in central downtown Ottawa, Kansas near shopping and services. Metro Plains developed and operates these units with funding from the Rural Housing Service's Section 515 and 521 programs, Low Income Housing Tax Credits, and the Affordable Housing Program of the Federal Home Loan Bank of Topeka.

South Dakota and Iowa over 25 percent of all householders are elderly. Elderly residents' homes tend to be of lower quality than rural housing as a whole and, compared with their urban counterparts, rural elderly people tend to be economically less well off. In particular, many rural elders are in the very oldest age groups where issues of economic support and specialized service needs are most critical.

Providing for elderly residents is especially difficult in communities of less than 2,500. Smaller towns often lack housing alternatives, supportive services and medical facilities needed to assist elderly people. To address these needs, the U.S. Department of Agriculture's Rural Housing Service (RHS) has provided loans and grants to repair dilapidated housing and has financed rental housing for senior citizens. Nationally, the distribution of Section 515 Rural Rental Housing funding is made on a needs-based formula. However, slightly more than half of all funded projects are located in the Midwest, Southeast and Texas. At the state level, though, allocations are dependent upon developers' applications and consequently housing may not get built where needs are the greatest.

Other residents besides elderly persons also face special housing challenges, including minority households and very low-income families. For example, Native Americans as a group experience serious housing problems. Over half the Native American population is concentrated in just four states: Arizona, New Mexico, Oklahoma and South Dakota. Minnesota and Wisconsin also have substantial numbers of Native Americans. Most live on or near reservations.

While reservation residents are more likely to be homeowners than the U.S. population as a whole, this statistic can be misleading. On the Dakotas' Standing Rock Reservation and Lake Traverse Reservation, homeownership rates are under 30 percent. Moreover, the quality of the reservation housing stock is frequently substandard. Indian households living on reservations are 18 times more likely than the U.S. average to be without a range, a refrigerator or a sink with piped water. Bottled, tank or liquid propane gas is also commonly used, heating 22 percent of reservation homes. The dependence on propane gas resulted in many Midwestern Lakota families suffering severe hardships during the winter of 1997 when blizzards delayed deliveries of fuel and the price tripled in three months. The low incomes of many Native American households make improvements to housing quality a major challenge.

Although the Midwest is not often thought of as a destination for migrant workers, the reality is different. For example, approximately 12,000 to 15,000 migrant farmworkers along with their families come to Minnesota every year. And in nearby Wisconsin over 5,000 migrant workers and their families are employed in agricultural and food processing jobs. Migrant farmworkers have unique housing problems. Not only do they have low and unstable incomes, their jobs require frequent moves, increasing their housing cost and insecurity. Migrant workers frequently live in the least desirable housing available within the community — dilapidated mobile homes, garages, barns, and otherwise unsuitable properties.

For those who find housing in Midwest labor camps, state inspection and licensing are common. Yet housing quality remains a problem. While 30 percent of Michigan's migrant camps were improved between 1985 and 1990, another third of the migrant camps' housing remains substandard. A 1989 survey of Wisconsin migrant housing indicated a serious lack of housing with even minimal plumbing. In an effort to improve migrants' housing a private labor camp is now being leased by a nonprofit organization to provide emergency housing shelter for agricultural and food processing workers. In Minnesota a Migrant Labor Demonstration Program was developed using matching grants funded through housing finance agency bonds.

The expansion of meatpacking industries in the Midwest has resulted in increased demand for housing. Meatpacking industries often recruit minority and immigrant workers, dramatically changing the

demographic profile of some rural communities. In rural Iowa and Nebraska substantial increases in Hispanic residents have been documented. In Minnesota and Illinois refugees and immigrants from Cambodia, Laos, Somalia, and Bosnia are filling low wage, minimal skill jobs in rural communities. New workers relocating to Midwest meatpacking towns have found that housing is particularly difficult to obtain. Workers end up homeless, in temporary "sleeping rooms," or in company-owned deteriorating mobile homes. The influx of immigrants has resulted in conflicts over cultural differences in lifestyles and increasing incidences of housing segregation and/or discrimination.

Welfare reform laws are also having a great — but largely undocumented — impact on low-income families' housing. As policies have devolved to the state level, a complex and variable mix of housing programs has evolved. The current welfare reform laws now require direct intervention by state governments in assisting poor families. The housing support families receive under state level policies vary widely across the country. In Minnesota, for example, families who live in public housing or receive housing subsidies are now eligible for lower food grants from the Minnesota Family Investment Program-Statewide (MFIP-S) than under the pre-reform Aid to Families with Dependent Children and food stamp programs.

Meeting the Rural Midwest's Housing Needs

Resolving the housing needs in the rural Midwest depends not only on the housing stock itself, but also the processes that support its construction, maintenance, and continued affordability. These processes depend partially on the social capital or community capacity of a locality. Part-time officials and limited budgets often hamper the ability of rural communities to address local housing needs. The professional expertise to plan, apply for, and conduct programs of housing and community development assistance is often lacking. The self-sufficient, "getting by on our own" attitude among rural Midwesterners can further hinder the provision of better housing especially where local decision-makers are unaware of or unwilling to address the problem. Even when these barriers are overcome, small communities often find that economies of scale are difficult to achieve given a limited and widely scattered population and a low tax base. In spite of these barriers, a number of rural communities throughout the Midwest have provided innovative local solutions to community housing needs.

Photo by Leslie Strauss, HAC.

Many Native American residents in the rural Midwest face serious housing problems. This home is located on a reservation in South Dakota.

Nonprofit housing organizations are a key component to providing affordable housing in rural communities. In many cases, without active nonprofit organizations, rural areas lack a mechanism to promote, develop, manage, and sustain affordable housing, especially for very low-income households. For example, the Southwest Minnesota Housing Partnership has successfully provided new multifamily rental and single-family homes across a 17-county area. In addition, the Partnership supports homeownership, which is promoted through educational and financing programs. They have creatively adapted an abandoned school into housing units and purchased blighted units for rehabilitation. In addition they work to preserve homeownership by providing funding for home repairs. The Housing Assistance Council has compiled a list of 880 similar rural nonprofit organizations; however, the list highlights the uneven distribution of nonprofit resources. For example, only four nonprofit organizations were found actively producing affordable housing in South Dakota.

Recently, employers have become increasingly interested in housing as a key component in economic development. Many Midwest firms are partners in housing development projects with local governments and nonprofit organizations. In addition, it is becoming more common for private firms to offer housing related benefits for their employees.

Rapidly growing communities in the Midwest, especially those near urban centers, in areas attracting retirees, or in areas with natural amenities, are struggling to meet the increasing demand for affordable housing. Communities that are stable and declining find their housing concerns focused on maintaining the quality of their housing stock and providing housing alternatives for senior citizens. The diversity of rural housing needs

CONTINUED ON PAGE 17

East Central Kansas Group Succeeds in Providing Much-Needed Rental Housing

by Bryan P. Dyer

The East Central Kansas Economic Opportunity Corporation (ECKAN) is a not-for-profit Community Action Agency serving elderly people, persons with disabilities, and low-income families in the east central Kansas counties of Anderson, Coffey, Douglas, Franklin, Lyon, Miami, and Osage. ECKAN provides a variety of services including Head Start, weatherization, HUD Section 8 housing, and community services.

Within ECKAN's seven-county service area is a very diverse set of communities. At the north and west ends of ECKAN's territory are the two largest cities, Lawrence and Emporia, each of which has a large state university. The remaining counties are primarily rural in nature. In July 1998 the Census Bureau estimated the ECKAN service area's total population as 212,317, an increase of almost 10 percent from 1990. The estimated population of individual counties ranges from 93,137 to 8,060. It is estimated that 15 percent of the area's population lives below the poverty level.

The area's economy and population are quite varied. The state of Kansas is the main employer in the area, but there are many manufacturing, warehouse, and meat packing jobs as well. The area's unemployment rate is low, especially in the larger cities and towns. Over the past 10 years the area, especially Emporia, has seen a large influx of Hispanic and Southeast Asian families.

The majority of the rural areas' housing stock is more than 40 years old. Many of the rental units are very dilapidated. Most new housing development in the rural areas is single-family homes for homeowners.

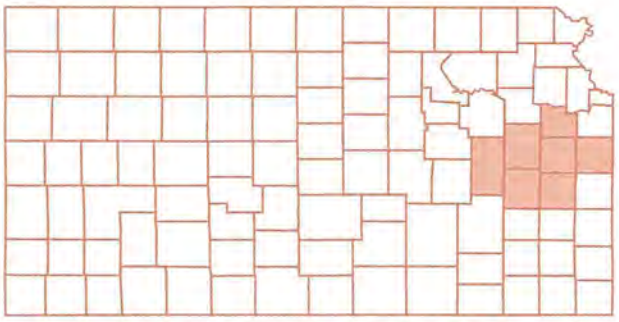
ECKAN's involvement in affordable housing began in 1966 with an outreach program that helped low-income families find affordable rental housing. In 1970, a Housing Department was added to the agency and began working with the then Farmers Home Administration (FmHA, now Rural Development) to package loans for the Section 502, 504, and 515 programs. The new department soon became involved in housing counseling as well. In 1977, ECKAN became a HUD counseling agency receiving funds from HUD, the Community Services Administration, and the Comprehensive Employment and Training Act (CETA). ECKAN's involvement in housing counseling led to ECKAN becoming an area Public Housing Authority. ECKAN now administers over 400 Section 8 certificates and vouchers.

Photo by Leslie Strauss, HAC

Richard Jackson, Executive Director of ECKAN, welcomes HAC Executive Director Moises Loza (left) and board member Pedro Rodriguez (right) to tour a house his agency rents to a low-income family in Ottawa, Kansas.

The agency's work in homeowner and tenant housing rehabilitation began in 1974 when it received the first weatherization grant in Kansas. ECKAN's Weatherization Department uses a number of high-tech methods to weatherize clients' homes to make them more energy-efficient and comfortable. ECKAN has also successfully assisted over 200 families with FmHA/Rural Development's Section 502 homeownership and 504 rehabilitation programs. In 1987, ECKAN received $150,000 from FmHA's Housing Preservation Grant Program. These funds were used to rehabilitate 53 homes.

While these efforts went a long way toward stabilizing the area's housing stock, ECKAN saw that there was still an unmet need for affordable housing. While the Low Income Housing Tax Credit (LIHTC) program is being used successfully to build affordable housing in



ECKAN serves seven counties in east central Kansas, providing a variety of community services as well as housing.

Photo by Leslie Strauss, HAC

A family in Ottawa, Kansas leases this home from ECKAN, which constructed it and four others with funds from the Affordable Housing Program and a local bank. The organization has used this and other strategies to increase affordable rental housing opportunities in its seven-county service area.

the state of Kansas, it serves primarily the more densely populated areas.

Affordable Rental Units

ECKAN has developed, owns, and manages 28 units of affordable housing. The agency's first affordable housing rental project was funded by the Affordable Housing Program (AHP) of the Federal Home Loan Bank (FHLB) of Topeka, through Team Bank N.A. In 1993, the FHLB provided ECKAN with $250,000 to construct four three-bedroom homes in the City of Ottawa. (Currently, it is very rare for the FHLB to fully fund projects such as this one.) In conjunction with this project, the local bank loaned ECKAN $51,000 to build a fifth home. The homes are 1,100 square feet with a one car attached garage, full basement, three bedrooms and 1.5 bathrooms. To reduce the project development costs ECKAN partnered with the local county commissioners who donated lots scattered throughout the city.

ECKAN's next project also started in 1993. But instead of new construction, this project was for the purchase and rehabilitation of five single-family homes in the City of Ottawa. To finance this project, ECKAN obtained $211,900 in HOME Community Housing Development Organization (CHDO) funds from the Kansas Department of Commerce and Housing (KDOCH). ECKAN purchased five homes that needed minimal rehabilitation, then repaired and leased the homes to low-income families. The homes average 1,100 square feet with three bedrooms. To help reduce costs, the City of Ottawa cooperated by waiving all permit fees.

Word of ECKAN's involvement in creating affordable rental housing began to spread throughout the agency's service area and local entities began to approach ECKAN about the possibility of creating affordable housing in their communities. The next project undertaken by ECKAN was in the City of Osawatomie located in Miami County. The city and county identified a need for affordable housing and asked for ECKAN's assistance. ECKAN respond by contacting a local bank and arranging a loan ($345,000) for the purpose of constructing three duplexes in the City of Osawatomie. ECKAN purchased and placed three manufactured duplexes on land donated by the Osawatomie City Commission. Each unit is 1,000 square feet with an attached garage and three bedrooms.

ECKAN's most recent two projects were completed in cooperation with the Coffey County Housing Authority (CCHA). CCHA identified a need for affordable elderly housing in its county, and asked ECKAN to work with the City of LeRoy to build an elderly housing project. ECKAN applied for and received a $252,171 CHDO grant and CCHA provided the remaining $90,724 needed to finance the project. Then, on land donated by the City of LeRoy, ECKAN placed four duplexes. The average size of each unit is 900 square feet. Six of the units have one bedroom, while the rest have two bedrooms. Additionally, two of the units are fully accessible to persons with disabilities.

ECKAN's latest project shows how the financing of affordable housing is becoming more complex. CCHA and the City of Waverly were interested in starting a new single-family housing development. Both the City and CCHA wanted the beginning of the development to be affordable single-family rental homes. CCHA and Waverly donated four lots to ECKAN, which placed a manufactured home on each lot. Each home has 1,100

CONTINUED ON PAGE 8

CONTINUED FROM PAGE 3

square feet with three bedrooms, an attached single-car garage and a full basement.

The financing for this project consisted of a $100,000 CHDO grant, a $80,600 grant from CCHA, a $72,900 low-interest loan from Mercy Housing of Colorado, and a $12,000 Affordable Housing Project grant from the Federal Home Loan Bank through Team Bank N.A.

Manufactured Housing

All of ECKAN's new construction projects utilize manufactured homes, built in a factory environment and then transported to the construction site. Using manufactured housing not only reduces project costs, but also minimizes weather delays, which can play havoc with building schedules in ECKAN's service area. The temperatures range in the extreme, from 0°F in the winter to 100°F in the summer, and spring and summer storms can bring large amounts of rain and severe weather. Because most of the actual construction is done in a climate-controlled factory setting, the only weather delays the agency has faced were those that occurred during site preparation. The manufacturer and home purchaser agree on a delivery date and it is the responsibility of the property owner to have the site prepared by that date.

Another advantage to using manufactured homes is that the agency reduces its reliance on general contractors. One of the barriers to producing affordable housing in ECKAN's service area is a lack of housing contractors, and existing contractors are most likely involved in high-end, single-family home construction. A number of ECKAN's staff members are extremely knowledgeable and experienced in home construction. By utilizing their skills and expertise, ECKAN not only reduces the cost of the home construction, but also maintains control over the construction process by eliminating the agency's reliance on a general contractor.

The common perception of manufactured housing is of mobile homes and "mobile home parks." After seeing projects built by ECKAN using manufactured homes, many individuals have changed their concept of manufactured homes. The design of the homes is very flexible and most individuals cannot tell the difference between a manufactured home and a traditional "stick built" home. ECKAN's weatherization staff did an energy analysis of the project in Waverly and gave the homes a four-plus star rating out of a possible five star rating. The estimated monthly energy cost for one of these homes is $59.

Photo courtesy of ECKAN.

ECKAN, the Coffey Country Housing Authority, and the City of LeRoy developed these duplex units for elderly residents.

Summary

ECKAN's affordable housing development success can be attributed to a number of factors, one of the biggest being the agency's staff. The first step of a successful project is analyzing the financial risks inherent in any project. This analysis often involves the creation of complicated pro formas. ECKAN has staff who are capable of performing this type of analysis and as a result the agency has walked away from projects that would have put the agency financially at risk. Having staff with construction experience has allowed ECKAN to act as its own general contractor, eliminating the need and expense of a general contractor.

Another factor that adds to the agency's success is ECKAN's relationship with local banks and units of government. None of ECKAN's projects would have even been considered if not for the input and contribution of local governments and banks. ECKAN has gotten bankers and government officials involved in the agency by making them part of ECKAN's governing board. That experience has given these individuals the opportunity to see the need for affordable housing first-hand and enabled ECKAN to show them how they can contribute to alleviating the problem.

A third factor is that the agency administers a number of different service programs. Providing a wide range of services gives ECKAN the ability to assist tenant families in becoming self-sufficient. Having a number of different funding streams also minimizes the agency's reliance on revenues generated by its housing projects.

Future Projects

ECKAN has a number of future affordable housing projects in mind. Currently, the agency is working with a private developer to build up to 49 units of affordable housing financed by CHDO, LIHTC, and private financing.

ECKAN is also planning on becoming involved in constructing homes for first-time buyers. ECKAN received two properties in Lyndon, Kansas from the now dissolved Resolution Trust Corporation. It was not feasible to rehabilitate either of the structures on the lots, so ECKAN worked with the city and county to have the homes demolished and the site prepared for construction. ECKAN is now preparing to place a single-family home on each site. ECKAN will identify a family that qualifies for KDOCH's first-time homebuyers program and then work with a local bank to help finance the family's purchase of the home.

ECKAN's affordable housing development success can be attributed to a number of factors, one of the biggest being the agency's staff.

ECKAN believes that there is still a large need for affordable housing in rural Kansas and will continue to work with the local banks and governmental entities, as well as state and federal governments, to help meet that need.

Bryan P. Dyer is Deputy Director of ECKAN.

HAC

Housing Assistance Council
1025 Vermont Ave., N.W., Suite 606
Washington, DC 20005
Tel.: 202-842-8600 • Fax: 202-347-3441
E-mail: hac@ruralhome.org
ruralvoices@ruralhome.org
Web: www.ruralhome.org

Midwest Office
10920 Ambassador Drive, Suite 220
Kansas City, MO 64153
Tel.: 816-880-0400 • Fax: 816-880-0500
E-mail: homesteadah@earthlink.net

Southeast Office
615 Peachtree St., N.E., Suite 1130
Atlanta, GA 30308
Tel.: 404-892-4824 • Fax: 404-892-1204
E-mail: southeast@ruralhome.org

Southwest Office
3939 C San Pedro, N.E., Suite 7
Albuquerque, NM 87110
Tel.: 505-883-1003 • Fax: 505-883-1005
E-mail: southwest@ruralhome.org

Western Office
1050 Redwood Highway
Mill Valley, CA 94941
Tel.: 415-381-1706 • Fax: 415-381-0801
E-mail: susan@ruralhome.org

HAC

Rural Voices

Statements made in *Rural Voices* are the opinions of the authors of the individual articles, not of the Housing Assistance Council.

Subscriptions to *Rural Voices* are free, but donations of $12 per year are gratefully accepted. Single copies and back issues are $4. Material may be reproduced without permission, but *Rural Voices* should be credited.

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 loans, technical assistance, training, research and information to local producers of affordable rural housing. HAC maintains a revolving fund providing vital loans 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, Inc. (RHS), syndicates rural housing developed with the Low Income Housing Tax Credit.

Editor: Leslie R. Strauss
Layout: Duane Cregger Graphic Design
ISSN 1903-8044

A Decent Home:

The Background and Early Beginnings of the Housing Act of 1949

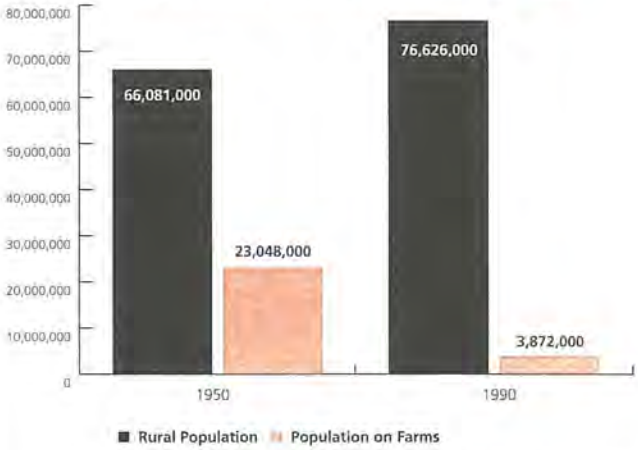
by Joe Belden

"If the first few loans closed are any indication," said the witness before a key legislative committee, "the need for better housing exists in a broad variety of ways. The families that applied for these loans were living in basements, in houses that are too small, in houses that are large in size but don't have a solid wall in them, and in some cases they were living with their in-laws."

The reader might assume that this statement could have been made today, but it was in fact testimony on February 3, 1950, by Dillard Lasseter, Administrator of the Farmers Home Administration (FmHA). Lasseter was reporting to the House Appropriations Subcommittee on Agriculture that the new farm housing program, created only six months earlier in the Housing Act of 1949, was underway. In its first two months of operation — November and December 1949 — the program received 8,123 applications for loans. By the time of Lasseter's testimony, the first Section 502 loan had been used to build a house in Georgia, and another was near completion in Alabama. The Georgia house cost about $5,000 and the Alabama house $4,000. In both cases, the borrowers did much of the construction work themselves. Lasseter testified that on the open market the Alabama house would sell for approximately $12,000.

Such was the beginning of the modern rural housing programs. From the perspective of 50 years, the Housing Act of 1949 may seem to be a blueprint for federal involvement in rural housing and community development. The Act is the basic document from which the present rural housing programs derive. But in fact at the beginning the Farmers Home Administration's housing efforts were very limited. As we observe the 50th anniversary of the 1949 Act, it may be useful and interesting to review the background of the time, the legislative history, and the early years of the program. Subsequent developments have very greatly expanded the housing programs of the Farmers Home Administration, but all the changes have taken the form of amendments to the 1949 legislation. Like most other housing legislation, the 1949 Act was not primarily a rural initiative. It was a national housing law in which farm — but not other rural — housing played an important but secondary role.

Changes in U.S. Rural Population, 1950–1990



Source: U.S. Census data, provided by Calvin Beale, Senior Demographer, Economic Research Service, U.S. Department of Agriculture. Rural areas are defined as rural places and towns of fewer than 10,000 outside Census-defined urbanized areas.

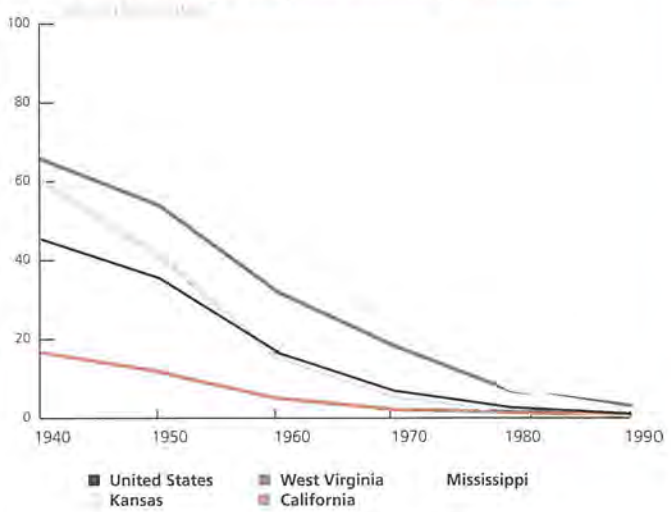
Today only about one American in four is a rural resident. But in 1900 the rural proportion of the population was 64.9 percent. This fell steadily, but even in 1940 43.5 percent of the population was rural. In the first half of the century, living conditions for millions in rural America were primitive. Evidence of these conditions began to become apparent in the 1930s and gradually accumulated. For example, in 1934 the Department of Agriculture conducted a comprehensive farm housing survey. This study of 622,413 farm houses in 43 states became the main source of data about rural housing conditions for the period. The survey found that there was considerable overcrowding in many farm homes, especially in the South, the Ozarks, Appalachia, and some of the Plains states. In ten of the 43 states surveyed in 1934, farm homes averaged 1.0 or more persons per room. The survey also showed that 18.6 percent of farm homes were over 50 years old; 44.0 percent had indoor water supplies (including pumps); 11.5 percent had bath tubs; 27.2 percent had kitchen sinks with drains; 30.0 percent had electricity; and 12.0 percent had central heat. These figures may have understated the problems, since Arkansas and Mississippi, two states with severe rural housing inadequacies, were not among the 43 in the survey. There were sharp differences among states: In Alabama, Georgia, Louisiana, and Tennessee, 8 percent or less of farm houses had indoor water.

The 1934 survey also showed that only about half the nation's farm dwellings were in good structural condition. Approximately 15 percent needed new foundations; about 20 percent needed new roofs; and about 10 percent needed new floors and new or repaired walls. Over one fourth had no screens and in over 20 percent of the remainder screens were torn and inadequate. Only 9 percent of the farm houses surveyed had indoor toilets, and 13 percent were without even outdoor privies. That last fact seems astonishing from the perspective of the late 1990s, but in fact Southern conditions were even worse. The 1934 survey indicated that almost one fifth of Southern farm homes had no toilets indoors or out and over one third had no screens. The absence of screens in a warm climate was a direct link to the presence of hookworm, anemia, and malaria. According to one contemporary observer, rural health officials and physicians gave up hope of preventing disease when there were no screens.

Faced with these clearly deplorable rural conditions, some policy makers and social critics of the 1930s and 1940s began to urge the creation and later the expansion of publicly supported farm or rural housing programs. Government involvement in the housing problems of rural people dates from New Deal programs of the 1930s — particularly from the creation of the Resettlement Administration in 1935 and the Farm Security Administration in 1937 and from passage of the Housing Act of 1937. The Resettlement Administration, the Farm Security Administration, and another New Deal program (Interior's Subsistence Homesteads Division) addressed rural housing problems in part by contributing to construction of model communities for low-income rural families. But in this period, there was relatively little direct recognition of overall rural housing need. Awareness came instead in the form of concern about the plight of poor sharecroppers and tenant farmers. The Resettlement and Farm Security agencies reflected these concerns. Both the Resettlement and Farm Security agencies were politically controversial and went out of existence by the early 1940s. In 1946 the Farmers Home Administration was created, but it had no housing programs at first. Further rural housing policy formation awaited the Housing Act of 1949.

Passage of the 1949 Act, like other major legislation, was a lengthy and controversial process. The bill as introduced in 1949 was not new. Similar legislation had been passed by the Senate in 1946 and 1948, but not by the House of Representatives. The origins of the Act actually go back to March 1943, when a resolution sponsored by Senators Allen Ellender (D-La.), Robert Taft (R-Ohio),

Units Lacking Complete Plumbing, 1940–1990



Source: U.S. Census Bureau. Alaska and Hawaii are not included in 1950 U.S. total. Universe: All housing units reporting plumbing facilities in 1940 and 1950; all housing units in 1960 and 1990; year-round housing units in 1970 and 1980.
In 1990, units having complete plumbing, but not for exclusive use of their inhabitants, were counted as having complete plumbing. In previous censuses, such units were tabulated as "lacking complete plumbing."

Homeownership Rates, 1940–1990

Source: U.S. Census Bureau. Alaska and Hawaii are not included in 1950 U.S. total; the rate does not change if they are included.

and Robert Wagner (D-N.Y.) established the Subcommittee on Housing and Urban Redevelopment of the Senate Special Committee on Postwar Economic Policy and Planning. In August 1945, the Subcommittee issued a unanimous report with recommendations which were essentially the same as the provisions of the 1949 bill (including the farm housing title).

The first bill based on the Subcommittee's recommendations was introduced as S. 1592 by Senators

CONTINUED ON PAGE 12

CONTINUED FROM PAGE 11

Wagner, Taft and Ellender in November 1945. A version passed the Senate in both 1946 and 1948. Then early in 1949 the process began once more, with the Senate again taking up the basic bill passed in 1946 and 1948. It is significant that Senator Taft was an originator of this housing legislation. During this period, Taft was probably the most prominent Republican in Congress and was frequently mentioned as a possible presidential nominee. The other two Senate sponsors added to a politically diverse group. Wagner was a liberal northern Democrat who left his name on important New Deal legislation, while Ellender was a conservative southerner.

The preamble to the 1949 Act has become one of the principal philosophical underpinnings for federal involvement in housing, urban and rural:

> The Congress hereby declares that the general welfare and the security of the Nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of substandard and other inadequate housing … and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth, and security of the Nation.

The overall goal of the Act is found in the statement of intention to provide "a decent home and a suitable living environment for every American family." This still unrealized goal has become a rallying point for housing advocates.

The legislation specifically mandated that the new farm housing program should be managed by the Farmers Home Administration. In Title V, the Act had two main farm housing programs — loans for dwellings and buildings on viable farms, and loans and grants for repair of homes on submarginal farms. Section 501 authorized the Secretary of Agriculture "to extend financial assistance, through the Farmers Home Administration, to owners of farms … to enable them to construct, improve, alter, repair, or replace dwellings" and farm buildings. FmHA was authorized to make loans for up to 33 years at 4 percent interest to owners of farms producing gross farm income of at least $400 a year. A loan applicant had to show that he owned the farm, that he was without resources to provide the housing or buildings on his own, and "that he is unable to secure the credit necessary for such housing and buildings from other sources upon terms … which he could reasonably be expected to fulfill."

Section 504(a) provides for repair or improvement grants or combined loans and grants if an applicant could not qualify for a Section 502 loan and the Secretary of Agriculture determined that repairs or improvements were needed to make dwellings safe, sanitary, and nonhazardous to the occupants and the community. The maximum amount of a grant was set at $500, and the maximum loan and grant combination at $1,000. These loans and grants could go toward such uses as roof repairs, installation of toilet facilities or water and sewer systems, purchase of screens, and repair or installation of structural supports. Section 505(b) provided for farm enlargement of operations too small for viability.

Title V was for farm housing. But elsewhere in the 1949 Act was a requirement that non-farm rural areas of the nation should receive 10 percent of the non-farm (i.e., non-Title V) funds authorized.

The Senate bill in the 81st Congress was S. 1070. The Senate Banking Committee promptly reported out the legislation. The report accompanying S. 1070 pointed out that rural housing conditions were often much worse than those prevailing in the cities:

> While there has been considerable improvement in farm housing since 1940, the fact remains that after nearly a decade of unparalleled farm prosperity, a much higher proportion of farm than urban dwellings are in bad physical condition, and the majority of farm families lack in their homes many of the amenities now considered essential in urban dwellings …. [N]early a third of the Nation's farm families derive insuf-

TIMELINE: ADOPTION OF MAJOR RURAL HOUSING PROGRAMS

July 15, 1949	June 30, 1961	Sept. 28, 1962	Sept. 2, 1964	Aug. 1, 1968
Sec. 502 Single Family Direct Loans and Sec. 504 Very Low Income Repair Loans and Grants	Sec. 514 Farm Labor Housing Loans	Sec. 515 Rural Rental Housing Loans	Sec. 516 Farm Labor Housing Grants	Sec. 523 Self Help TA and Site Loans

ficient income from their farming operations to finance the needed improvements to their homes [or buildings].

With these and other admonitions on housing in hand and with the background of previous attempts to legislate on the same issues, the Senate took up S. 1070 on April 14, 1949. Sen. John Sparkman (D-Ala.) was chief floor manager for the bill. As part of his floor speech introducing the bill, Sparkman indicated that congressional testimony and investigations showed an acute need for decent low-income housing in rural as well as urban areas. He pointed out that some of the poorest housing was occupied by low-income rural non-farm families, including farmworkers who did not live on farms. Sparkman said that the public housing program always had been intended to include the non-farm rural poor.

Consideration of the legislation was much more contentious, and the outcome closer, in the House of Representatives. The House took up an almost identical version of the Housing Act on June 22, 1949. There was sufficient opposition in the House to come close to killing Title V. One amendment to the bill to strike Title V entirely lost but only by 146 to 162. Thus a switch of only nine votes would have killed the rural housing program at the outset. But in fact there was enough support to pass the bill. A majority of members felt that the housing of the nation's poor required some action.

Some members reduced the argument for the bill down to a few basic principles. Democrat Quentin Burdick of North Dakota pointed out that land and homeownership are essential to the preservation of a democratic society:

> Under this bill, the farmer is given a chance to again own his home, through low-interest costs, and is enabled to improve the one he has. All people in the United States, every family, should be given a chance to own their own home — if they want it, and when you stake down democracy with homes, this democracy will continue through the ages. Take away this opportunity to own land, and this democracy will go the way other democracies have gone in … the past.

Housing Problems of Rural Households, 1995

- Moderate Cost Burden Only — 4,443,000
- Severe Cost Burden Only — 2,759,000
- Quality Only — 1,853,000
- Multiple Problems — 914,000
- Crowding Only — 437,000

Source: 1995 American Housing Survey data, analyzed by the Housing Assistance Council. Rural areas are defined as open country and places outside Census-defined urbanized areas (densely settled areas where total population is 50,000 or more).

In the end, the bill passed — by a vote of 228 to185 on June 29, 1949. It was signed into law on July 15, 1949, and became Public Law 81-171.

This landmark housing bill put down a foundation and small central structure. A fledgling rural housing program began to function using that structure, but it was in fact a number of years before the program expanded, added new features, and began to spend substantial amounts of money. In their first decade, the 1950s, the rural housing program of the Farmers Home Administration spent $218 million in loans and grants. During the 1960s, FmHA housing loans and grants totaled just under $2.4 billion. But in the 1970s the total was more than $24.3 billion.

Thus began the new rural housing program of the federal government. Its accomplishments of half a century are clear, as the number of severely substandard rural homes has declined. This is indeed a housing program that has worked. The challenge today is to continue work to help the more than ten million rural households with housing problems.

Joe Belden is Deputy Executive Director of the Housing Assistance Council.

TIMELINE: ADOPTION OF MAJOR RURAL HOUSING PROGRAMS

Dec. 24, 1969	Aug. 22, 1974	Nov. 30, 1983	Nov. 28, 1990	March 28, 1996
Sec. 524 Site Loans	Sec. 521 Rental Assistance	Sec. 533 Housing Preservation Grants	Sec. 502 Single Family Guaranteed Loans	Sec. 538 Rural Rental Guaranteed Loans

The Evolution of Modern Rural Mutual Self-Help Housing

by Art Collings

Editor's note: The self-help housing movement existed independent of the rural housing legislation that began with the Housing Act of 1949 (see related article), but has benefitted from legislation over the past 50 years as well as from the pioneering efforts of many individuals and organizations. This article outlines the history of the modern rural mutual self-help program, which involves small groups of homebuyers helping to build their own homes and also those of their neighbors.

Photo by George Ballis.

Human beings have long practiced collective and community home and barn raisings. Modern organized self-help housing in North America began in Westmoreland County, Pa. in 1933, where the Pennsylvania Relief Board operated a program for unemployed coal miners. By 1940, 250 units had been completed.

In 1937 the American Friends Service Committee (AFSC) sponsored a community called Penn-Craft, which housed unemployed coal miners in western Pennsylvania.

In 1938, St. Francis Xavier University in Nova Scotia sponsored a self-help housing cooperative for coal miners, the first known to have used preconstruction training techniques. By 1967, there were 2,000 self-help units in Nova Scotia.

Between 1949 and 1969 the Puerto Rico government sponsored self-help housing, building primarily core houses (small, basic units that can be expanded later) and producing 30,000 homes.

In 1950 Flanner House, a mutual self-help project for moderate-income African-American families without down payment or access to mortgage credit, began in Indianapolis. It produced 360 homes by 1965 and, because of its success, ultimately led lenders to make mortgage credit available for minorities in that city.

Also in the 1950s, AFSC and the Friends Neighborhood Guild sponsored a self-help rehabilitation project in Philadelphia. Bob Marshall, later the long-time Executive Director of Self-Help Enterprises, was involved in that effort.

Most of the early self-help projects in the U.S. were not able to keep producing units indefinitely, particularly because they lacked ongoing sources of financing. AFSC began looking for such a permanent credit source.

In the early 1960s AFSC's Bard McAllister began working with farmworker families in Goshen, Calif. as part of a farmworker organizing project. In 1961, eligibility for Section 502 loans from the Farmers Home Administration (FmHA, now the Rural Housing Service, or RHS) was extended to non-farm rural citizens. For those in rural areas, this provided the long-sought permanent source of mortgage financing. In Goshen, under the leadership of McAllister and a successful home builder, Howard Washburn, AFSC began the first Section 502-financed self-help project with farmworkers. FmHA was skeptical and required a completion bond of AFSC, but the project was successful and the die cast.

AFSC, Howard Washburn and a number of progressive Californians founded Self-Help Enterprises (SHE) in Visalia, Calif. in 1965. Since then SHE has produced more than 4,200 self-help homes.

While homes were under construction in Goshen, Chester Tyson, FmHA State Director in New Jersey, a Quaker and member of AFSC committees, asked me to try it in Cumberland County, N.J. He assigned Ralph Johnson, now a member of the board of directors of NCALL Research, Inc. in Dover, Del. to help with planning and with a justification request to the FmHA National Office. In 1963 FmHA was the direct sponsor, in addition to providing mortgage finance, of a six-unit self-help project. Thus, the agency became committed to the process.

From 1963 to 1965 a sizeable number of self-help projects used Section 502 financing. By 1965, self-help projects were located in 16 states.

The 1964 Housing Act changed Section 502 to permit land purchase with loan funds. It also increased the size of rural areas eligible for assistance under the FmHA/RHS housing programs to include places with populations of up to 5,500. These changes spurred interest in self-help housing. Between 1965 and 1970 the primary source of administrative funding for self-help sponsors was the federal Office of Economic Opportunities Migrant Division.

Photo by George Ballis.

In December 1965 AFSC, led by Eleanor Eaton, with the assistance of the Ford Foundation, convened a conference of self-help sponsors in Warrenton, Va. Representatives from the United States, Mexico and Nova Scotia participated. Out of this meeting the International Self-Help Housing Association (ISHA) was formed in January 1966. A lead player in ISHA's formation was its first chair, Elizabeth Herring, an early director and board member of NCALL. AFSC secured Ford Foundation funding for ISHA and in 1967 Clay Cochran, a giant among rural housing leaders, became its first paid Executive Director.

A most important publicist for self-help housing was writer Richard Margolis. He chronicled its early efforts and helped create widespread interest. Margolis also served on the board of ISHA and its successor agencies.

In 1969, ISHA broadened its mission beyond self-help and became the Rural Housing Alliance (RHA). RHA became Rural America in 1976. By 1989, the organization's focus had shifted away from housing, and it was renamed the Community Transportation Association of America.

Other national organizations have been instrumental in self-help's success as well. The National Rural Housing Coalition (NRHC), founded in 1969, is the lobbying arm of the rural housing movement. The Housing Assistance Council (HAC) was created in 1971 to assist rural developers, including self-help groups. The Self-Help Directors Association, formed in 1971 with aid from RHA and NRHC, remains an active, and very important, part of the rural housing movement.

During the late 1960s and early 1970s the California self-help groups and RHA were responsible for incrementally raising the eligible Title V rural eligibility limits to include communities with populations of up to 10,000.

The Housing and Urban Development Act of 1968 provided two important features for self-help housing. First, it authorized Section 523 Self-Help Technical Assistance Grants, important since administrative funding sources were being stretched or disappearing. The first Section 523 grantees were the Rural California Housing Corporation (Sacramento, Calif.), House My People (Pierce County, Wash.) and Clackamas County Self-Help Corporation (Clackamas County, Ore.).

The 1968 Act also authorized Section 521 interest subsidy, implemented in 1969 as interest credit. This reduced mortgage interest rates to as low as one percent and provided access to the program for families with still lower incomes.

In 1979, while Gordon Cavanaugh was FmHA Administrator, the agency succeeded in obtaining amended appropriations language to permit the use of Section 523 grant funds to contract for technical assistance to self-help sponsors, stabilizing the program. Initially there were six contractors. There are now four, each serving a particular geographic region: Florida Nonprofit Housing, Little Dixie Community Action Agency, NCALL Research, Inc., and the Rural Community Assistance Corporation.

The current RHS self-help grant regulations were finalized in 1990. The program is more closely regulated than before and includes a requirement that family labor contribute 65 percent of total labor or tasks involved in construction of the homes. RHS has made self-help housing increasingly important, and Section 523 grant funding has risen in recent years.

In 1996, Congress created the Self-Help Homeownership Opportunity Program (see stories in "HAC Facts," page 1).

In 1999, self-help housing remains a viable means for low-income families to obtain decent, affordable homes. It embodies the American spirit by substituting personal labor for a degree of repayment ability. The skills obtained in the process often lead to economic improvement and work sharing leads to a better sense of community.

Art Collings is Senior Housing Specialist at the Housing Assistance Council. This article is adapted from A Brief and Selective Historical Outline of Rural Mutual Self-Help Housing in the United States.

HAC

Rural Housing Forecast

Details Look Bright and Sunny, but Big Picture Is Under a Cloud

by Joe Belden

The Washington appropriations season is well underway, but with special problems this year. Congressional leaders had previously declared their intent to pass all or most of the 13 spending bills by October 1, the start of the new fiscal year. The aim was to avoid any government shutdown or last-minute dealmaking. First up for passage was one of the usually easier bills — agriculture. The House of Representatives on June 8 passed H.R. 1906, a fiscal year 2000 spending bill for the U.S. Department of Agriculture (USDA) and related programs, including the Rural Housing Service (RHS). Rural housing accounts received important increases in the bill (see below). The House Appropriations Committee and its Agriculture Subcommittee completed work on the bill in mid-May, and it was targeted for passage by the full House before Memorial Day. But that goal ran into a much bigger and knottier problem: the lack of overall funds for domestic discretionary spending under the 1997 budget caps.

The caps are part of the five-year balanced budget law enacted in 1997. Earlier this spring Congress reaffirmed those very tight caps in a fiscal 2000 budget resolution. It gave the Appropriations Committees a scenario that could force a 10 percent cut in discretionary spending. Unless the spending caps are changed, the cuts could potentially be even larger for less popular programs such as low-income housing. To deal with this impending crisis, the appropriators apparently have come up with a strategy: pass the smaller and less controversial spending bills first with limited or no cuts from current spending levels. Defense spending would get an increase. Larger and more problematic bills — specifically Labor-HHS-Education and VA-HUD-Independent Agencies — would get steep cuts in initial allocations, so as to fit the total budget under the caps. Some observers feel that such proposed cuts would then force efforts (such as raising the caps) to try to find more funds for the reduced programs later in the year. Some fiscal conservatives, especially in the House of Representatives, felt that this was a strategy to "bust the caps."

This all led to a showdown when the 2000 agricultural appropriations bill came to the full House floor in late May, with only a very small reduction from 1999 levels. After two days of debate, House leaders pulled the bill when several members offered a long series of amendments to cut funds from various USDA programs. On June 8 the bill passed fairly easily after a compromise that cut $102 million overall.

As passed, the bill has increases for most rural housing programs and exceeds the Clinton Administration's requests in several areas. Compared to 1999, the bill includes funding increases of $362 million for Section 502 direct ownership loans, $6 million for Section 515 rural rental housing, $9 million for Section 504 repair loans, $5 million for Section 514 farm labor housing loans, and $2 million for Section 523 self-help technical assistance. Section 521 rental assistance would be frozen at $584 million, but this is above the Administration's proposal. Rural Housing Assistance Grants (for Section 504 repair, 516 farm labor, and 533 HPG) would get a much needed $9 million increase.

USDA Rural Development's water/sewer funding would get $579 million in 2000 and the Intermediary Relending Program would get $52 million (a $19 million increase).

A new Rural Community Development Initiative, part of the Rural Community Advancement Program, would provide $6 million for nonprofit capacity building. The full bill and

USDA Rural Housing Service Section/Program	FY 1999	APPROPRIATIONS IN MILLIONS FY 2000 Passed by House (H.R. 1906)	FY 2000 Passed by Senate Committee (S. 1233)
LOANS			
502 Single Family Direct Loans	$965.3	$1,337.6	$1,100
502 Single Family Guaranteed Loans	3,000	3,200	3,200
515 Rural Rental Housing	114.3	120	114.3
538 Rural Rental Guaranteed	100	100	100
504 Very Low Income Repair	24	32.4	32.4
514 Farm Labor Housing	20	25	25
Self Help Land Devel Fund	5	5	5
524 Site Loans	5.1	5.1	5.1
GRANTS & PAYMENTS			
Rural Housing Assistance Grants (504, 516, 533)	41	50	41
523 Self Help Technical Assistance	26	28	26
521 Rental Assistance	584	584	640

an accompanying legislative report (H. Rept. 106-157) are available at http://thomas.loc.gov.

The Senate's version of USDA appropriations (S. 1233) passed the Senate Appropriations Committee on June 17. For many programs, the Senate bill provides amounts closer to fiscal 1999 appropriations than the House, although it provides a higher figure for rental assistance than the House, and matches the House's amounts for Section 502 guaranteed loans, Section 504 repair loans, and Section 514 farm labor housing loans. It does not include any funds for nonprofit capacity building. The full Senate began considering the bill during the week of June 21. Since the House and Senate bills differ, the next step will be a conference committee, which may meet in mid-July. The Senate committee bill and report (S. Rept. 106-80) are also available at http://thomas.loc.gov. The table above has details.

That is the bright and sunny weather, if it holds up. The HUD housing programs face a different, cloudier atmosphere. To meet the caps in the budget resolution, both House and Senate Appropriations Committees announced sharply reduced funding levels for programs under the jurisdiction of the Subcommittees on VA, HUD and Independent Agencies. These programs include HUD, the Department of Veterans Affairs, NASA, the Environmental Protection Agency, and several smaller agencies. In 1999 the total funding level for the Subcommittee's programs was $72.0 billion. Almost 40 percent went to HUD. The 2000 allocation for the Subcommittee, announced in May, is $66.2 billion in the House and $62.4 billion in the Senate. Given that veterans' and space programs are seldom cut, HUD might be looking at reductions of at least 10 to 15 percent.

Joe Belden is Deputy Executive Director of the Housing Assistance Council. Updates on FY 2000 appropriations and other rural housing news are available in the biweekly HAC News, *available at http://www.ruralhome.org or free by U.S. mail or e-mail. To subscribe, call Luz Rosas at 202-842-8600 or e-mail hacnews@ruralhome.org.*

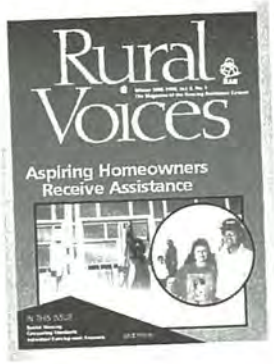
HAC

CONTINUED FROM PAGE 5

provides a challenge to those who provide technical assistance, allocate housing funding, and advocate for improved housing policies.

Dr. Ann Ziebarth and Dr. Jeff Crump are Associate Professors at the University of Minnesota's Department of Design, Housing & Apparel. For a bibliography of further reading on the subject, compiled by the authors, contact Leslie R. Strauss, editor of Rural Voices, *at the Housing Assistance Council.*

HAC



Support Rural Voices

Subscriptions are now free.

Only one free per organization, please.

Contributions for additional subscriptions, or to help cover production costs, are still welcome. The suggested donation is $12 for one year (four issues), but any amount helps.

Make check or money order payable to:
Housing Assistance Council
1025 Vermont Ave., N.W., Suite 606
Washington, DC 20005

Or call 202-842-8600 with a credit card.

NAME

ORGANIZATION

ADDRESS

CITY STATE ZIP

PHONE

❑ Check or money order enclosed.
❑ Please bill my credit card:
❑ Visa ❑ MasterCard ❑ American Express

CARD NUMBER EXPIRATION

AUTHORIZED SIGNATURE

Single copies and back issues are also available for $4 each. For contents of back issues, see the list at http://www.ruralhome.org, or call or write to request a free list.

HAC

Housing Assistance Council
1025 Vermont Ave., NW
Suite 606
Washington, DC 20005

DELIVER TO