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July 15, 2021

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Ave. SW
Washington, DC 20250

RE: Docket ID: USDA-2021-0006

Dear Secretary Vilsack,

The Housing Assistance Council (HAC) welcomes this opportunity to submit comments to the U.S. Department of Agriculture's (USDA) "Identifying Barriers in USDA Programs and Services; Advancing Racial Justice and Equity and Support for Underserved Communities at USDA" Request for Information (RFI).

HAC is a national nonprofit organization that helps build homes and communities across rural America. Since 1971, HAC has provided below-market financing for affordable housing and community development, technical assistance and training, research and information, and policy formulation to enable solutions for rural communities across the country. In our work, HAC places a special focus on high-needs rural regions – including the Mississippi Delta and the Black Belt, rural Appalachia, Indian Country, the border colonias, and farmworker communities. With 50 years of experience supporting and developing affordable housing across rural America, HAC is uniquely positioned to comment on USDA's RFI with a lens toward equity for rural and persistently poor places.

HAC'S GENERAL RESPONSE TO THE RFI

Federal policy and programs benefit some areas of the United States while harming others. Focusing the benefits of government on a handful of thriving metropolitan regions, while ignoring the needs of underserved rural regions, is driving economic, social and political problems that the Nation ignores at its peril. This is fundamentally a question of equity, which is why HAC was pleased to see the Administration's Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, published on

President Biden's first day in office.[1] In Section 2 of that Order, we were glad to see "persons who live in rural areas" included in the list of groups who need to be granted "consistent and systematic fair, just, and impartial treatment."[2] Further, we were glad to see "geographic communities" a category that should be considered when determining an "underserved community."[3]

Rural America is home to about 20 percent of the U.S. population and covers more than 90 percent of the U.S. landmass. Its small towns and rural regions are diverse demographically and economically, and face a wide array of local challenges and opportunities for developing their communities and housing. While each place is unique, HAC has documented several themes. Persistent poverty is a predominantly rural condition. Habitable rural housing is in severely short supply. The adequate housing that does exist is often unaffordable because rural incomes are low and run well below the national median. Rural housing lacks adequate plumbing and kitchen facilities at a rate above the national average. Overcrowding is not uncommon in some rural regions. Decades of stagnant rural house prices have denied owners the wealth and mobility so often associated with buying a home. And racial inequity is endemic as the result of housing policies and banking practices that excluded rural people of color. Complicating these challenges, a lack of reliable rural data obscures rural realities.

In previous eras, the United States promoted geographic dispersion in economic activity. Regulatory policies in the areas of transportation, communications, housing, trade, and antitrust helped construct an era of geographic convergence in the mid-twentieth century. Wealth was less concentrated and opportunity more evenly distributed. The unraveling of this regulatory order around 1980 coincided with the beginning of an era of growing divergence. To combat geographic inequality and its attendant downsides, we recommend reincorporating geographic factors into federal regulatory policymaking. In our experience, and given the landscape outlined above, there are two critical factors necessary to build equity in rural places: local organizational capacity and access to capital.

Capacity Building

Federal investment in capacity building launched almost every successful local and regional housing organization that we know today. However, very few of those local organizations are in rural regions. Fewer still work in areas of persistent rural poverty. The power of capacity building in rural communities cannot be overstated. Rural communities often have small and part-time local governments, inadequate philanthropic support and a shortage of the specialists needed to navigate the complexities of federal programs and modern housing finance. Targeted capacity

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[1] Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government. January 20, 2021. https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/

[2] Ibid.

[3] Ibid.

building through training and technical assistance is how local organizations learn skills, tap information, and gain the wherewithal to do what they know needs to be done. Rural places need increased capacity building investment in order to compete for government and philanthropic resources. Without deeply embedded, high-capacity local organizations, available federal funding and other capital will never evenly flow to rural communities. Existing USDA programs, like the Rural Community Development Initiative (RCDI), and new proposals, like the Rural Partnerships Program in the American Jobs Plan, will be critical to this work.

Access to Capital

In recent decades, many rural regions have been stripped of their economic engines, financial establishments and anchor institutions. Federal trade and anti-trust policy has contributed to this situation, conceding the consolidation of wealth, industry and employment opportunity mostly into metropolitan centers. The result is that rural America faces a dire lack of access to capital. And it is in these rural places where you can find the nation's deepest and most persistent poverty. Without access to financial services and capital, individuals cannot access safe credit and financial literacy resources, businesses cannot grow and serve the needs of their communities and ultimately the communities' economies cannot thrive. The banking industry has undergone considerable consolidation, with the number of lenders insured by the Federal Deposit Insurance Corporation (FDIC) dropping from approximately 15,000 in 1990 to just over 5,000 in 2019. Around 150 rural counties have one or no bank branches to serve their residents. Building access to capital in underserved rural regions is critical for the equity and long-term viability of rural communities.

HAC'S SPECIFIC RESPONSES TO THE RFI

4. Are there USDA policies, practices, or programs that perpetuate systemic barriers to opportunities and benefits for people of color or other underserved groups? How can those programs be modified, expanded, or made less complicated or streamlined, to deliver resources and benefits more equitably?

One significant and tangible systemic barrier that HAC has observed has been well-intended matching requirements on USDA Rural Development programs. The very rural and persistently poor communities who could most benefit from programs struggle the most to raise matching funds. These persistently poor places are the least likely to have financial institutions, banks and philanthropic investment. Every regulation and program requirement that USDA adds to statute virtually guarantees the Department is steering federal investment to the wealthiest eligible places.

To end the Department's systemically handicapping the poorest places from accessing the very programs that were created to assist them, HAC recommends eliminating preferences and requirements for matching funds to the greatest extent allowed under law. Especially with programs like RCDI, mentioned above as a powerful tool for rural capacity building, matching requirements are challenging for communities in rural and persistently poor places.

HAC also recommends that the Department use the flexibility allowed in RCDI's statute to make at least one major RCDI award annually to a national intermediary so that it can train, support and advise a cohort of future applicants to RCDI in the poorest, most rural and BIPOC communities. These communities do not have the resources, expertise or historic connections to compete for grants with organizations from wealthier, more populous and Whiter parts of rural America. The Department would be wise to advocate for additional funding from Congress to provide the major award over and above the traditional program awards.

5. How can USDA establish and maintain connections to a wider and more diverse set of stakeholders representing underserved communities?

Affordable housing professionals regularly interact with USDA, HUD, Treasury, VA and other federal agencies and enterprises. While there is no quantitative measure available to compare departments' transparency, USDA's rural development division has a poor reputation for communicating with stakeholders and openness with data relative to its peers. F

Engaging Stakeholders Requires Staffing and Proactive Outreach
A lack of adequate staffing often limits stakeholder engagement in the federal agencies. This has been especially apparent to HAC in our work with USDA Rural Development. Administrations on both sides of the aisle have allowed for budget cuts and policies that result in fewer staff, fewer local offices, and diminished organizational capacity. Even when proposed staff cuts are not being actively pursued, Rural Development has struggled to fill its many vacant positions.

Without fully staffed federal agencies, equitable stakeholder engagement is nearly impossible, especially in geographically remote rural regions and regions where local capacity is already limited.

HAC recommends the Department more aggressively seek Congressional appropriations for staffing and operations. If this effort is unsuccessful, HAC recommends the Department take a critical look at RD's model of a large field staff presence. It may be that funding for a large enough field presence to effectively deliver programs may never occur. Thus, the Department should consider turning to national intermediaries and local non-profits to build and maintain a network of local organizations able to deliver programs and services. While not perfect, HUD has built and maintained a robust network of higher-capacity local organizations thru direct funding to local Community and Housing Development Organizations (CHDOs) and national intermediaries Neighborworks, LISC, Enterprise and others. Partnering in this manner allows HUD to deliver over $11.7 Billion in community planning and development programming with less than 1,000 federal staff.

Improving Transparency of Program Data Reporting
For stakeholders to productively connect with USDA, improved data reporting transparency would be beneficial. Take for example multifamily preservation at Rural Development: HAC's research and the input of varied stakeholders surfaced several suggestions for USDA actions.[4]

Improving the ease of use of USDA's public data files on its multifamily housing could increase program transparency and, through more thoughtful evaluations by the public and other interested parties, improve the overall understanding of how the program will evolve over time as loans mature. For example, user access would be greatly enhanced by establishing a single, unique identifier for each property that links all information, regardless of the year or underlying circumstances, such as a change in owner or loan terms. Improved accuracy of the public data is critical to make informed decisions.

The usefulness of USDA's data could be expanded by increasing data scrutiny. In several cases the data include multiple measures to capture similar information, so a comparison of the measures could be used to troubleshoot problems before they arise and limit confusion. USDA could help stakeholders learn more about the possible preservation uses of USDA's Community Facilities programs and the Business and Industry guarantee program.

Stakeholders are often unaware that non-housing Rural Development programs could be used for housing preservation. USDA could help by making field office and state office staff aware of all possibilities and including this information in notifications to owners and on its website. USDA could provide or support an exchange where stakeholders can share information with each other. These could include buyer-seller conferences, which USDA has arranged in the past, as well as meetings to swap best practices, and others. The regular calls USDA has held with multi-family stakeholders have been appreciated. Additional information and data would be useful.

Stakeholders generated a list of information that could help owners, purchasers, and others seeking to preserve rural rental properties:

- what has worked to preserve properties of various types and sizes in various situations;
- what properties leave the program, and why;
- where tenants have moved when leaving properties when (or just before) they left the portfolio, and what impact the change has had on them;
- details on the number of tenants USDA's programs serve, the amount needed to fully renew existing Rental Assistance, the number of Rental Assistance units retired, and the number of properties at risk of being removed from the portfolio;
- details on individual properties compiled in a single place online (following HUD's example); information could include owner contact information, rent information, the

[4] A Platform for Preservation, The Housing Assistance Council, September 2018, https://ruralhome.org/rural-america-is-losing-its-affordable-rental-housing/

amount of each payment, how many payments remain, whether the owner has requested prepayment approval, when the mortgage(s) will mature, and more, but proprietary and personally identifiable information, such as owners' Social Security numbers, should be omitted; and

- a list of properties whose mortgages have matured in the past few years.

HAC also recommends the Department look at examples in other federal agencies. Specifically, HUD maintains a division for Policy, Development and Research that is mandated to provide reliable and objective data and analysis freely to the public to help inform policy decisions. The division also funds and publishes research from entities outside the federal government for the express purpose of involving a greater diversity of perspectives, methods, and researchers in the dialogue to improve housing conditions.

6. Please describe USDA programs or interactions that have worked well for underserved communities. What successful approaches to advancing justice and equity have been undertaken by USDA that you recommend be used as a model for other programs or areas?

USDA's rural housing programs, overseen by Rural Development and the Rural Housing Administration, have repeatedly proven to be efficient, effective ways to provide decent and affordable homes for the lowest-income rural Americans, including many people of color and other underserved populations. The Section 502 direct loan program, because it requires no down payment and can reduce interest rates to as low as 1 percent, makes homeownership possible for families who would never be able to afford it otherwise, while protecting the government's investment through careful screening and loan servicing. Families who participate in self-help housing, with local nonprofits guiding them under the Section 523 mutual self-help program, can reduce their housing costs even further by providing part of the labor needed to construct their homes.

For renters, the Section 515 direct loan program has provided mortgages at 1 percent interest, allowing housing organizations to provide decent housing for hundreds of thousands of the lowest-income rural residents who could not afford the rent that is required when only shallower subsidies, such as the Low-Income Housing Tax Credit, are available. Section 521 Rental Assistance ensures that Section 515 tenants pay no more than 30 percent of their incomes for their housing, a key factor for those living on fixed incomes, including the seniors who make up a majority of these properties' residents. Unfortunately, appropriations for Section 515 have fallen so low that the program has not been able to finance new construction since 2011.

Despite challenges to the programs over the years, these and other USDA housing programs have demonstrated some key factors that help meet the needs of underserved populations:

deep subsidies, careful oversight with adequate levels of agency staff, support from local community-based nonprofit organizations, and ways to combine multiple programs in order to provide varying levels of support as needed in individual communities. Another important factor has been the involvement of intermediary organizations. The self-help program, for example, uses four regional intermediaries to support the local nonprofits that recruit homebuilder/buyers and manage construction.

In order to help USDA address known burdens or barriers to accessing benefits programs, HAC suggests that a renewed focus should be placed on the role of rural intermediaries in building the capacity of entire communities and rural regions.

As mentioned in the introduction of this comment letter, rural communities often have small and part-time local governments, inadequate philanthropic support and a shortage of the specialists needed to navigate the complexities of federal programs and modern housing finance. Rural nonprofits and local governments are stretched thin and wearing many hats, making it difficult to effectively discover and successfully apply for available federal funding sources. Targeted capacity building through training and technical assistance is how local organizations gain the skills and knowledge to better serve their communities. This capacity building is provided by national organizations, like the Housing Assistance Council, who have the expertise and trust-based relationships to move the needle on rural capacity challenges.

Historic levels of federal funds for pandemic recovery and infrastructure are being considered in 2021, but no amount of federal investment will succeed in creating lasting rural equity if not paired with the establishment of a federally-backed national rural intermediary to ensure the most underserved and persistently poor rural places are in a position to access available federal resources.

One regional example of a successful intermediary pilot was the 2018 Native CDFI intermediary relending pilot in North and South Dakota.[5] This pilot allowed Native CDFIs to be intermediary re-lenders for the USDA Section 502 direct home loan program. In FY 2019, of the 6,194 direct loans made nationally by Rural Development, only six of them were for homes on tribal land. Native CDFIs were able to step into the gap and use their capacity and relationships to help tribal members successfully through the Section 502 qualification and application process.

11. Are there sources of external data and metrics that USDA can use to evaluate the effects on underserved communities of USDA policies or regulations? If so, please identify or describe them.

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[5] "USDA Announces Pilot Program to Increase Homeownership Opportunities on Native Lands," U.S. Department of Agriculture, May 31, 2018, https://www.usda.gov/media/press-releases/2018/05/31/usda-announces-pilot-program-increase-homeownership-opportunities

As mentioned earlier in this letter, a lack of available data to conduct assessments on the effectiveness of a particular program or regulation in rural places is a constant challenge – obscuring the realities of rural needs and corresponding federal responses.

For example, the 2020 Home Mortgage Disclosure Act (HMDA) final rule[6] gutted housing data collection in rural communities, especially those that are already underserved by traditional financial services. The Consumer Financial Protection Bureau (CFPB) increased the threshold for reporting data about closed-end mortgage loans, allowing institutions originating fewer than 100 closed-end mortgage loans in either of the two preceding calendar years to not report such data effective July 1, 2020. It has also raised the threshold for reporting data about open-end lines of credit to 200 open-end lines of credit effective January 1, 2022, upon the expiration of the current temporary threshold of 500 open-end lines of credit. This regulation will both have a disparate impact on rural areas, which rely disproportionately on small financial institutions, and also limit data availability for stakeholder engagement.

USDA could use HMDA as a valuable data source, and this data source could be improved by reinstating robust rural data collection.

We appreciate the opportunity to comment on USDA's "Identifying Barriers in USDA Programs and Services; Advancing Racial Justice and Equity and Support for Underserved Communities at USDA" RFI. Please do not hesitate to contact me at david@ruralhome.org or (202) 842-8600 if you need additional information or clarification of our comments.

Sincerely,

David Lipsetz
President & CEO

[6] Home Mortgage Disclosure (Regulation C). https://www.federalregister.gov/documents/2020/05/12/2020-08409/home-mortgage-disclosure-regulation-c