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July 6, 2021

The Honorable Shalanda Young
Acting Director
Office of Management and Budget
725 17th St NW, Washington, DC 20503

RE: 86 FR 24029

Dear Acting Director Young,

The Housing Assistance Council (HAC) welcomes this opportunity to submit comments to the Office of Management and Budget's (OMB's) "Methods and Leading Practices for Advancing Equity and Support for Underserved Communities Through Government" Request for Information (RFI). The following comments cover topics relating to areas 1 (equity assessment and strategies), 2 (barrier and burden reduction), 4 (financial assistance) and 5 (stakeholder and community engagement) of the 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 OMB's RFI with a lens toward rural equity.

HAC'S GENERAL RESPONSE TO THE RFI

Federal policy and programs benefit some areas of the United States while harming others. By 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

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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 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

[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.

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.

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. There are around 150 rural counties that 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

Area 1: Equity Assessments and Strategies

In Area 1 of the RFI, "OMB welcomes submissions that provide resources, tools, and examples of how agencies might conduct effective equity assessments, with the goal of embedding equity throughout agency practices and policies."[4]

Throughout the suite of federal housing programs, we often see programs that were designed with the urban and suburban context in mind. Rural places struggle to access programs in a proportional way, and are often at the mercy of modest rural-set asides and important tools like the 10-20-30 formula.[5] In order to ensure that rural equity is embedded from the beginning in future proposed policies, budgets, regulations, grants, or programs, HAC suggests the establishment of a "rural impact analysis" as part of OMB's Office of Information and Regulatory Affairs (OIRA) regulations review process and the creation of a White House Task Force on Geographic Inequality.

OMB Should Institute a Rural Impact Analysis for New Regulations

We encourage the inclusion of a "rural impact analysis" in OMB's Office of Information and Regulatory Affairs (OIRA) regulations review process to assure geographic equity is part of any new regulations. In HAC's experience working with federal programs in the rural context, a lack of available data to conduct assessments on the effectiveness of a particular program or

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[4] https://www.federalregister.gov/documents/2021/05/05/2021-09109/methods-and-leading-practices-for-advancing-equity-and-support-for-underserved-communities-through

[5] 10|20|30 Persistent Poverty Formula. Congressman James Clyburn. https://clyburn.house.gov/10-20-30-amendment

regulation in rural places is a constant challenge – obscuring the realities of rural needs and corresponding federal responses.

Regulatory processes are often designed with economies of scale in mind. This approach frequently disadvantages communities with lower capacity; less access to capital; and fewer people, resources, and projects. Given that rural areas often lack scale across these factors, it is important to intentionally consider geographic equity in the regulatory review process to ensure that people living in these areas do not continue to be underserved. Executive Order 13563 from January 18, 2011 on "Improving Regulation and Regulatory Review"[6] could be a starting place for a more transformational effort to create a robust rural impact analysis as part of the OIRA process. Mitigating the inequitable impact of federal regulations. Rural and geographic equity should be proactively considered as part of the regulatory review process, as opposed to scrambling to tailor unworkable, one-size-fits-all regulations as they are being implemented.

A White House Task Force on Geographic Housing Inequity Should be Created
The establishment of a White House Task Force on Geographic Housing Inequity could assist with the collection of in-depth data and make policy recommendations to address inter-regional inequities. The Task Force could examine the extent to which the design and implementation of a range of direct and indirect federal housing programs systematically concentrates wealth, opportunity, and demand in certain regions, while contributing to persistent poverty elsewhere. The Task Force must focus on national and urban-focused programs that drive inequity and harm the other parts of the nation. It would be a mistake to concentrate on rural-focused programs built to mitigate that harm.

Area 2: Barrier and Burden Reduction
In Area 2 of the RFI, OMB rightly states that "Members of underserved communities may experience a variety of external factors that may disproportionately affect their access to information about programs or program eligibility, applying for benefits, conducting post-award reporting, and recertification of eligibility."[7] This could not be truer for underserved and persistently poor rural areas, where not only individual capacity but local community capacity to access federal resources if often limited.

In order to help "agencies address known burdens or barriers to accessing benefits programs in their assessments of benefits delivery," as called for in the RFI, 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.

Expand the Role of Rural Intermediaries
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

[6] Improving Regulation and Regulatory Review. Executive Order 13563 of January 18, 2011. https://www.reginfo.gov/public/jsp/Utilities/EO_13563.pdf
[7] https://www.federalregister.gov/documents/2021/05/05/2021-09109/methods-and-leading-practices-for-advancing-equity-and-support-for-underserved-communities-through

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.

Area 4: Financial Assistance

In Area 4 of the RFI, OMB asks, "How might agencies identify opportunities to adjust current practices in grants and other financial assistance programs to expand access for underserved communities and to achieve equity-oriented results?"[8]

Federal grant programs often require applicants to leverage private or philanthropic resources as matching funds. Yet small town America has fewer banks[9] and fewer foundations[10], thus less access to capital[11] that grant applicants can leverage. To address this inequity, agencies would need to waive match and leverage requirements for smaller communities.

Several federal programs have been created to address the lack of financial services and capital in rural places. A recent report from the Brookings Institute identified 93 federal programs that exclusively target rural communities. Yet, the programs administered just 0.2 percent of federal discretionary spending and most rely on loan authority ($38 billion) instead of grants ($2.6 billion.) Providing loans and loan guarantees to a geography that lacks access to financial partners and capital is highly ineffective. To address this inequity, agencies would need to provide more grants than loans

Many federal grant programs distribute highly targeted funds via competition to local applicant organizations, including local government. Large population centers may be able to maintain expertise on a multitude of highly targeted programs and afford to hire grant writers. Small towns rarely have such specific expertise or capacity. If the goal is to assist underserved communities more equitably, then agencies should not expect persistently poor, rural and small

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[8] https://www.federalregister.gov/documents/2021/05/05/2021-09109/methods-and-leading-practices-for-advancing-equity-and-support-for-underserved-communities-through

[9] Using 2020 Summary of Deposit data, 140 counties have no bank branches. There are also 236 rural counties where the largest-sized lender is an intermediate-asset bank.

[10] Philanthropic support for rural areas has declined since 2004, when a study by the National Center for Responsive Philanthropy showed that 1 percent of foundation grant dollars went for rural development, and that .3 percent of foundations listed rural development as a priority

[11] https://www.federalreserve.gov/publications/2019-november-consumer-community-context.htm

town communities to compete against more populous and wealthier applicants. To address this inequity, agencies would need to replace competitive processes with formula funding to the most rural and underserved communities.

To illustrate these points, consider U.S. Department of Housing and Urban Development (HUD) programs such as the HOME Investment Partnerships program and the Community Development Block Grant (CDBG.) Both are excellent programs supporting critical affordable housing and community development investments. Both distribute highly flexible funds directly to the nation's largest cities and population areas. These funds support a broad array of development projects and essential infrastructure. Unfortunately, rural and small towns are purposefully excluded from the formula funding. Instead, a portion of HOME and CDBG funds are provided to State government with the presumption that the communities excluded from the formula will have access to funds. States typically narrow the eligible uses of HOME and CDBG and award the funds via competition. Thus, the largest jurisdictions in a State all receive block grants annually via formula directly from HUD, while a selection of rural areas receive awards episodically via competition.

The rural Public Housing Authorities (PHA) funded by HUD face similar disadvantages by design. These PHAs have small portfolios and limited staff, and often struggle under the burden of running HUD programs designed for large-scale developments. The answer to this issue under Republican and Democratic administration has been to waive regulations for small PHAs. That has been helpful, but no amount of deregulation will make it easy or affordable to maintain deeply affordable housing. What these local agencies need is adequate funding and capacity. To address this inequity, PHAs would need per unit funding based on actual costs (not local market rents) and a minimum level of operating funds needed to hire a base level of staff.

Area 5: Stakeholder and Community Engagement

As noted in Area 5 of the RFI, "Section 8 of E.O. 13985 instructs agencies to expand their use of stakeholder and community engagement in carrying out the Order. OMB seeks specific approaches to stakeholder and community engagement with underserved communities that others have successfully used and that Federal agencies could adapt or apply."[12]

In HAC's perspective, robust stakeholder engagement is critical to improving equity across federal programs and could be better fostered by fully staffing up at relevant federal agencies and requiring more transparent reporting of program usage data across federal programs.

Fully Staffing Federal Agencies

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 field staff, fewer local offices, and diminished organizational capacity. Even when proposed staff cuts are

[12] https://www.federalregister.gov/documents/2021/05/05/2021-09109/methods-and-leading-practices-for-advancing-equity-and-support-for-underserved-communities-through

not being actively pursued, Rural Development has struggled to fill the many vacant positions that remain open.

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.

Improving Transparency of Program Data Reporting
As mentioned briefly 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. Without that data access, the scape of informed stakeholder engagement is limited.

For example, the 2020 Home Mortgage Disclosure (HMDA) final rule[13] 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 is a both a regulation that will have a disparate impact on rural areas, which rely disproportionately on small financial institutions, and a regulation that limits data availability for stakeholder engagement.

We appreciate the opportunity to comment on OMB's "Methods and Leading Practices for Advancing Equity and Support for Underserved Communities Through Government" 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

David Lipsetz
President & CEO
Housing Assistance Council

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