HAC
Housing Assistance Council

We help build homes and communities across rural America.

December 4, 2023

Andrew Reisig
The Office of Management and Budget
725 17th Street, NW Washington, DC 20503

RE: Comments on OMB Guidance for Grants and Agreements

Dear Mr. Reisig:

The Housing Assistance Council (HAC) appreciates the opportunity to comment on the Biden-Harris Administration's proposed revisions of sections of The Office of Management and Budget (OMB) Guidance for Grants and Agreements.

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 proposed rule with a lens toward equity for rural and persistently poor places.

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. 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." Further, we were glad to see "geographic communities" a category that should be considered when determining an "underserved community."

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. Both of these factors can be improved through these OMB guidance updates if rural places are considered in a proactive manner.

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 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 fewer than 5,000 in 2023. 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.

Equity for rural and persistently poor places in the OMB grants and agreements process means proactively considering the unique needs and constraints of these places when it comes to accessing federal funds. One size does not fit all, as is too often the case in the current system. We should not shy away from specific rural-targeting and rural flexibilities to ensure equitable outcomes.[1] Below are HAC's suggestions to OMB when considering improving rural equity in the grants and agreements process.

Institute a Rural Impact Analysis for New Regulations
First and foremost, we encourage the inclusion of a "rural impact analysis" in OMB's Office of Information and Regulatory Affairs (OIRA) regulations review process to ensure that 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 regulation in rural places is a constant challenge – obscuring the realities of rural needs and corresponding federal responses.

[1] HAC applauds the actions of the three prudential regulators in the respect in the newly issued CRA final rule. There, the rule establishes that a CRA exam's evaluation of the impact and responsiveness of the subject bank's loans, investments and services to a community's credit needs around community development would be positively impacted if provided in a persistent poverty county, census tract with a poverty rate of over 40 percent, or geographic area with low levels of community development financing.

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"[2] could be a starting place for a more transformational effort to create a robust rural impact analysis as part of the OIRA process. 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.

Invest in Capacity Building and 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 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, technical assistance and financial support to bring on expertise is how local organizations gain the skills and knowledge to better serve their communities. The Housing Assistance Council has long provided this capacity-building assistance, along with other national and regional intermediaries, under a variety of existing federal programs including the Department of Housing and Urban Development's (HUD) Rural Capacity Building program and the Department of Agriculture's Rural Community Development Initiative. Our organizations have the expertise and trust-based relationships to move the needle on rural capacity challenges. What we lack is funding commensurate with the challenge.

Historic levels of federal funds for pandemic recovery and infrastructure are flowing out to communities, but no amount of federal investment will succeed in creating lasting rural equity if not paired with the "force multiplier" of flexible capacity building funding to ensure the most underserved and persistently poor rural places are in a position to access available federal resources.

While substantially increased funding specifically targeted to rural capacity-building is needed, an additional strategy for addressing this need is to provide

[2] Improving Regulation and Regulatory Review. Executive Order 13563 of January 18, 2011. https://www.reginfo.gov/public/jsp/Utilities/EO_13563.pdf

additional flexibilities within existing, broader-gauged programs in recognition of the unique challenges of rural communities. For example, HUD's Special NOFO to Address Unsheltered and Rural Homelessness[3] permitted rural applicants to request Continuum of Care funding for capacity-building activities, which is not an eligible use in the annual Continuum of Care competition.

Eliminate, Reduce or Modify Cost-sharing and Matching Requirements that Disparately Impact Rural Communities

Low-income rural communities face unique fiscal constraints due to limited tax bases, and philanthropic resources are disproportionately lower in rural places. A USDA-ERS analysis estimated that only 7 percent of philanthropic resources are targeted to rural-based organizations.[4] OMB should consider encouraging federal agencies to eliminate cost-share/match requirements in certain geographies, such as persistent poverty counties. At minimum, we strongly encourage flexibility on match requirements based on size and ability of communities, with flexibility to provide 100 percent cost-share waivers for highly vulnerable communities – and that OMB regularly track the degree to which agencies and offices are applying that flexibility. While offering the flexibility to count in-kind contributions towards a cost share may appear to be a good compromise, it is important to note that small, rural communities are challenged in their ability to track such matches, as they may rely on volunteers to advance projects and tracking that kind of in-kind match requires additional capacity.

Streamline and Increase Uniformity in Applications

Multiple onerous and overly complex program and funding applications create inequality between communities that have the capacity to complete such applications and those that do not, which are disproportionately rural. Simplifying, aligning, and increasing uniformity in applications across agencies would reduce barriers to program access for communities who don't have full-time grant writers and consultants at their disposal.

Include or Increase Administrative and Predevelopment Costs as Eligible Activities in Rural Places

Many federal programs lack sufficient administrative funding to pay for the actual costs of administering the program. The public and non-profit sectors of

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[3] "CONTINUUM OF CARE SUPPLEMENTAL TO ADDRESS UNSHELTERED AND RURAL HOMELESSNESS (SPECIAL NOFO)" U.S. Department of Housing and Urban Development. https://www.hud.gov/program_offices/comm_planning/coc/specialCoCNOFO.

[4] Pender, John. USDA, Economic Research Service, June 2015. https://www.ers.usda.gov/amber-waves/2015/august/foundation-giving-to-rural-areas-in-the-united-states-is-disproportionately-low/ https://www.ers.usda.gov/amber-waves/2015/august/foundation-giving-to-rural-areas-in-the-united-states-is-disproportionately-low/

rural, persistently poor, and under-resourced communities lack the capacity to cross-subsidize such programs, and thus must often leave those funds on the table. Federal agencies could create a more level playing field by allowing such communities to use a greater percentage of grant funds for administrative costs than in other geographies or make this an eligible use of grant funds even if not permitted generally.

Similarly, these communities lack the public or private sector 'venture' capital to front predevelopment costs (e.g., land acquisition, legal and development consulting costs) that are essential to jump-start an affordable housing or community development project that may appear high-risk at the outset (in part because the transaction volume or 'deal flow' in these communities is too low for many investors to develop expertise and comfort with such projects). Accordingly, OMB could truly move the needle here by expanding eligibility for predevelopment costs across federal housing and community development programs.

Recognize the Rural Challenges in Metrics and Data Reporting

Accurate program metrics and data reporting are critical to measure program success. But this data can be another challenge for rural and persistently poor places, which may not have the same volume of quality data access as is found in other communities. 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 scope of informed stakeholder engagement is limited. For an example of how HAC proposed the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) address data equity in the context of CRA, see our comments on their Joint Notice of Proposed Rulemaking.

We appreciate the opportunity to comment on OMB's proposed rule for guidance for grants and agreements. Please do not hesitate to contact us if you need additional information or clarification of our comments.

Sincerely,

David Lipsetz

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