

# HOUSING ASSISTANCE COUNCIL

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## 2024 RURAL HOUSING POLICY PRIORITIES

A grayscale photograph of a group of volunteers working on a house roof. They are leaning over the edge of the roof, which is covered with large sheets of material. The volunteers are wearing casual clothing, some with logos. The background shows trees and a cloudy sky.

# 2024



**HAC**

[WWW.RURALHOME.ORG](http://WWW.RURALHOME.ORG)

# 2024 Policy Priorities

For over 50 years, the Housing Assistance Council (HAC) has been the voice for rural and persistently poor communities. Our independent and non-partisan work with members of Congress, federal agencies, and affordable housing and community development organizations ensures the most vulnerable rural populations – especially those in high-needs regions like the Mississippi Delta, rural Appalachia, farmworker communities, the Southwest border colonias, and Indian Country – have improved access to safe and affordable housing opportunities.

Rural America is home to about 20 percent of the U.S. population and covers more than 90 percent of the U.S. landmass. 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. Rural communities experience persistent poverty, substandard housing conditions, incomes well below the national median, increasing affordability challenges, and an aging housing stock. 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 addressing these issues, HAC's policy priorities are:

1. Building the capacity of local affordable housing and community development organizations deeply rooted in rural places;
2. Expanding access to credit and safe, affordable lending in underserved rural communities;
3. Preserving the critical stock of USDA multifamily homes amid the growing maturing mortgage crisis;
4. Improving the overall quality, availability, and affordability of housing to buy and rent in small towns and rural places; and
5. Preserving, increasing, and tailoring resources for federal affordable housing programs serving rural populations.

## CHAPTER 1: CAPACITY BUILDING

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, and compete for government and philanthropic resources. Targeted capacity building through federal investments in training and technical assistance is how most local organizations build the skills, tap the information, and gain the wherewithal to do what they know needs to be done. Without deeply embedded, high-capacity local organizations, available federal funding and other capital will never evenly flow to rural communities.

### Technical Assistance

A variety of federal programs invest in local organizations with the training and technical assistance they need to serve their communities effectively. The Rural Capacity Building (RCB) Program at the U.S. Department of Housing and Urban Development (HUD) and the Rural Community Development Initiative (RCDI) at the U.S. Department of Agriculture (USDA) are two critically important capacity building programs that focus specifically on rural areas. Other targeted programs, like the Community Facilities Technical Assistance and Training Grant and the Multi-Family Housing Non-Profit Transfer Technical Assistance Grant, fund hyper-targeted technical assistance for specific USDA Rural Housing Service programs. HAC supports increased funding for these programs; new capacity building programs like the Rural Partnership Program; increased federal focus on diverse, equitable, and sustainable communities; and the creation of a robustly funded federal rural housing intermediary.

### Rural Placemaking

Arts, creative placemaking, and locally led design efforts are powerful drivers of economic resilience and growth for underserved rural and tribal communities – especially underserved communities. The Citizens' Institute on Rural Design™ (CIRD) is a leadership initiative of the National Endowment for the Arts, which seeks to enhance the quality of life and economic viability of rural America and Tribal Nations through planning, design, and creative placemaking. HAC supports continued federal funding for CIRD and for rural arts, design, and placemaking across the federal government including USDA's Rural Placemaking Innovation Challenge.





## CHAPTER 2: ACCESS TO CAPITAL

In recent decades, many rural regions have been stripped of their economic engines, financial establishments and anchor institutions. Added to the shortage of federal and philanthropic investment, 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 long-term viability of rural communities.

### **Community Development Financial Institutions**

Community development financial institutions (CDFIs) are private, mission-focused financial institutions that offer responsible, affordable lending to low-income, unbanked and underserved people and communities. For more than 30 years, CDFIs have had a proven track record of making an impact in the most high-needs rural regions. As banks have consolidated and pulled back from serving the deepest pockets of poverty, CDFIs have stepped into the breach and are working in rural regions and tribal areas across the country to address the financial services needs of otherwise unbanked communities. HAC supports increased funding for CDFI Fund programs, in particular Financial Assistance grants and the Capital Magnet Fund, which provide critical enterprise-level financing that enables CDFIs to build the capacity of the rural affordable housing sector. HAC also supports efforts to ensure these

competitive programs reward CDFIs that serve the highest need rural communities and households, and additional tailoring of CDFI Fund programs to better target rural needs.

### **Duty to Serve**

Small financial institutions in rural areas often struggle to find access to the secondary mortgage market and larger lenders ignore rural and persistently poor markets altogether. This limits the overall liquidity available in rural communities. The Federal Housing Finance Agency (FHFA) has engaged in a variety of rulemaking efforts to improve secondary mortgage market access for underserved communities, including the Duty to Serve (DTS) rule, which requires the Government Sponsored Enterprises (Fannie Mae and Freddie Mac) to provide a more proactive secondary market for mortgages in three focus areas: manufactured housing, affordable housing preservation and rural housing. Solutions are needed to adapt GSE structures to handle the volume, value and appraisal challenges found in the rural mortgage context. HAC supports the preservation and expansion of DTS requirements, and deliberate consideration of rural conditions in all aspects of the secondary mortgage market.

### **Community Reinvestment Act**

As banks consolidate their physical branches and financial services move online, careful consideration must be made to ensure that underserved rural areas are not forgotten. The Community Reinvestment Act (CRA) requires federally insured depository institutions to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods. HAC is committed to helping our partners understand the potential impact of the 2023 CRA modernization rule issued by the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board, and the Federal Deposit Insurance Corporation (FDIC), which is currently in a two-year phase-in period. In



Photos: George Ballis

particular, HAC is focused on implementation of provisions of the rule that could incentivize large and intermediate-sized banks to increase their affordable housing and community development investments in rural communities, including the rule's creation of a nationwide assessment area for evaluation of bank community development activities and special recognition in the qualitative component of CRA examinations of the outsized positive impact of bank community development investments in persistent poverty counties and areas with low levels of other community development financing.

## CHAPTER 3: USDA MULTIFAMILY PRESERVATION

Rental housing options in rural America are not only sparse and often expensive, but also declining. Preserving existing affordable rental housing and engaging in new construction in areas where there is demand is critical to foster economically viable rural communities.

An important source of housing in many rural communities are rental homes financed by USDA. Today, there are nearly 13,000 USDA rental properties providing around 400,000 affordable homes to families and individuals across rural America. However, due to federal funding cuts, no new USDA direct-financed rental housing has been developed in years, and the existing properties are increasingly losing their affordability provisions. Once the mortgage on the property matures, the units lose their rental subsidy and thus often their affordability. For many rural communities, these units constitute the only affordable rental housing available.

Significant federal commitment is needed to address this rising crisis. HAC supports increased funding for the USDA Section 515 program to allow for new multifamily construction to resume; increased funding for the Multifamily Preservation and Revitalization (MPR) program, the Preservation Revolving Loan Fund (PRLF) program, and the Multifamily Preservation Technical Assistance program, to address the preservation needs of the multifamily portfolio; the extension of rural rental assistance to all USDA multifamily units; and improved protections for tenants in USDA properties that are being preserved. HAC supports the bipartisan Rural Housing Service Reform Act (S. 2790 & H.R. 6785), which would decouple Section 521 rental assistance from Section 515 maturing mortgages to allow the rental assistance to continue after the mortgage is paid off.

## CHAPTER 4: RURAL HOUSING STOCK

Like in other parts of the country, housing affordability has become a crisis for rural residents. Each community faces unique challenges and opportunities, but some themes can be found across lower-income rural regions, including: an aging and substandard housing stock, overcrowded conditions, and limited rental stock. The number of housing units in rural communities increased by roughly 410,000 or 1.7 percent between 2010 and 2020. Rural housing growth was considerably lower than the 12 percent increase experienced in suburban areas and the 9 percent for the nation overall.

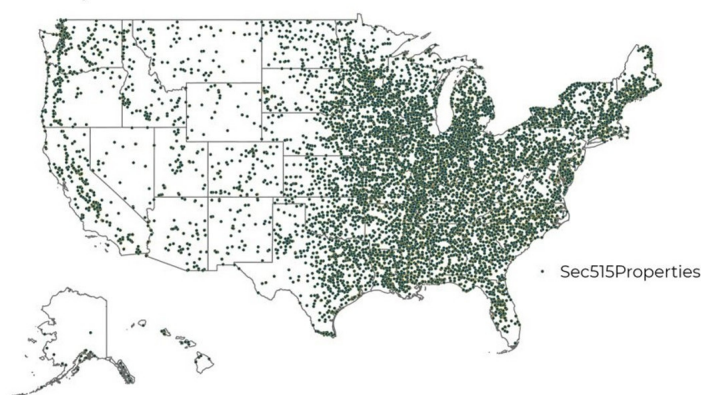
### Rural Homeownership

Homeownership rates in rural areas are higher than the national average. The cost of homeownership is increasingly out of reach for rural residents, however, and the incidence of substandard housing and aging housing stock is also significantly higher in rural communities.

- **Self-Help Housing**

Affordable homeownership opportunities can change the economic outlook of both families and entire communities. Since its beginnings in 1996, HUD's Self-Help Homeownership Opportunity Program (SHOP) has helped create more than 35,000 homes, half of which are located in rural areas. SHOP helps hardworking low- and moderate-

**USDA SECTION 515 MULTIFAMILY HOUSING PROPERTIES, June, 2021**

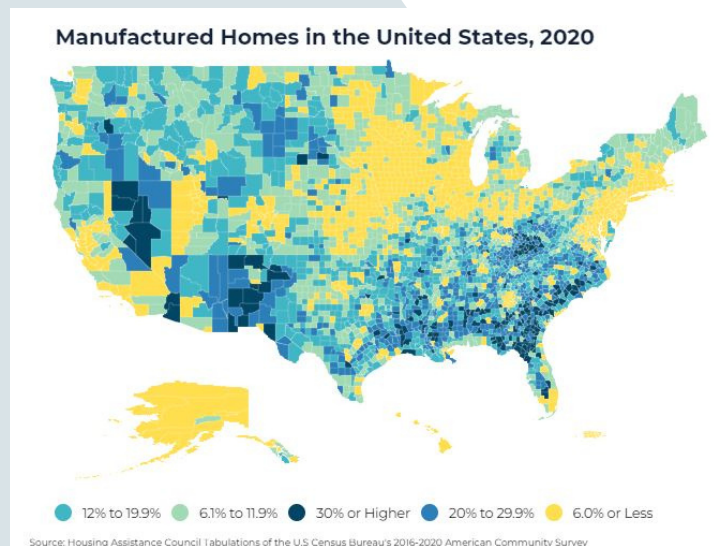


Source: HAC Tabulations of USDA Data

income families achieve homeownership through sweat equity. SHOP funds pay for land and infrastructure costs, which are often some of the most difficult items for local nonprofits to finance. HAC supports increased funding for the SHOP program.

- **Manufactured Housing**

More than half of all manufactured homes are located in rural areas around the country and manufactured homes make up 13 percent of all occupied homes in rural and small town communities. In manufactured



home communities, many residents own their homes and rent the land, which can devalue the asset. Financing options for manufactured homes are often limited and "lot rent" can be predatory. HAC supports increased protections and standard mortgage financing opportunities for families in manufactured housing communities.

- **USDA Direct Mortgage Loans**

USDA's Section 502 direct loan program enables low- and very low-income rural residents to purchase homes with affordable, fixed-rate mortgages. The interest rate on a Section 502 loan can be as low as 1 percent, and no down payment is required. Inability to qualify for market-rate credit elsewhere is a precondition for obtaining a Section 502 direct loan. Over two million families have become homeowners since 1950 through the Section 502 direct program. Yet this is a loan program, not a giveaway; the funds are repaid to USDA, with interest. Over the last few years, the total cost per loan to the government for a Section 502 loan has averaged around only \$10,000. HAC supports increased funding for the Section 502 direct loan program.

- **Heirs' Property**

Research estimates that over 60 percent of all heirs' properties are in rural counties. Without clear title, heirs' property owners face many challenges including accessing loans for construction and rehabilitation and the ability to participate in market sale. Heirs' property owners are also vulnerable to land loss through forced sale and tax sales. Expanded definitions of homeownership, alternate documentation to demonstrate proof of ownership, and financing to support construction and rehabilitation of rural residential heirs' properties are needed. HAC also calls for USDA to include rural residential homeowners in initiatives like the Heirs' Property Relending Program.

### **HUD Multifamily Preservation**

USDA multifamily preservation was covered earlier in this document. However, other non-USDA sources of rental housing are also critical for rural places. HUD oversees more than 22,000 privately owned multifamily properties, and more than 1.4 million assisted housing units across the country. These homes were originally financed with FHA-insured or direct loans and many are supported with Section 8 or other rental assistance contracts. Housing subsidy contracts are expiring on thousands of privately owned multifamily properties with federally insured mortgages, and physical repairs to the properties are overdue. HAC supports preserving HUD multifamily properties and expanding access to Housing Choice Vouchers.

### **Property Insurance**

The rapidly rising cost of property and liability insurance is rapidly becoming a crisis for the affordable housing industry. The increasing cost of property insurance can make both preservation and new construction projects prohibitively expensive. In some states, older properties are being dropped from coverage entirely. HAC supports innovative solutions to address this insurance issue at the federal level to ensure that property insurance is available and not an undue financial barrier to the success of critical housing projects.

### **Rural Homelessness**

Homelessness often looks different in rural communities than it does in more urban areas, where more supportive services are available. In rural places, people experiencing homelessness tend to live in



vehicles, couch surf, or live in severely overcrowded situations, and are thus undercounted in federal homelessness estimates. Even so, the most recent federal point-in-time count found that predominantly rural areas experienced an over 10 percent increase in homelessness overall, and the highest increase in unsheltered homelessness of any unit of geography with over 43 percent of the unhoused being unsheltered. HAC supports increased rural-tailored, flexible resources to address homelessness such as the HUD Special NOFO in 2022. Additionally, while homelessness is fundamentally an issue of housing affordability, for many it co-occurs with substance use disorders, mental health struggles, and chronic health conditions which themselves become barriers to obtaining and maintaining stable housing. Rural communities need increased and customized funding to provide essential, evidence-based support services and treatment for residents facing these additional challenges.

### **Climate and Disaster Resiliency**

Natural disasters come in different types and sizes, and so do the communities they affect. For rural communities especially, disaster resiliency depends on sufficient capacity and resources. It is important to ensure that short-term and long-term disaster assistance and recovery are equitably distributed to all segments of the community regardless of income, race, ethnicity, age, ability, homeownership status, or immigration status. HAC supports increased capacity building for disaster resiliency in rural places, better interagency collaboration in rural disaster response, the adoption of more innovative and sustainable models for long-term disaster recovery, and the equitable distribution of federal disaster relief funding streams to rural and persistently poor communities.

## **CHAPTER 5: FEDERAL RESOURCES**

Rural communities have higher poverty and unemployment rates as well as a higher incidence of substandard housing when compared to metropolitan areas. Policy decisions at all levels of government have inadvertently contributed to the challenges faced by rural areas. Federal resources for affordable rural housing must be maintained and expanded in order to meet the growing housing crisis across rural America. And more broadly, the rural impact of all federal housing and community development programs should be analyzed to avoid unintended disproportionate or negative impacts.

### **Funding for RHS**

Since the first USDA housing loan was made in the 1950s, the agency has funded the construction, purchase, or repair of over 5.1 million rural housing units. Rural Housing Service (RHS) loans, grants, and related assistance provide low-income families the opportunity to achieve affordable homeownership; provide affordable rental housing to families, the elderly, and migrant and seasonal farmworkers; support low-cost home repair for an aging rural housing stock; and help create strong local housing infrastructure through capacity building. However, like many rural solutions, the RHS programs have suffered from a lack of federal funding and challenges around modernizing and adequately staffing the agency. HAC supports robust funding for RHS programs, staffing, and modernization needs in order to ensure that programs are running effectively and serving rural residents at the highest level.

### **Tailoring of HUD Programs**

Often, federal housing programs are not well-suited to function in the rural context. Capacity challenges make it difficult for rural places to compete for funding with larger metropolitan areas. HUD formula allocation programs like the Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program, which have been critical affordable housing resources, have not served rural areas proportionately. The public housing authorities (PHAs), private landlords, and mission-driven developers that serve rural America struggle to participate effectively in the Housing Choice Voucher program, HUD's largest pool of funding, because the program's regulatory and administrative requirements have a disproportionately burdensome impact. They often also lack the scale to access financing tools such as Project Based Vouchers, Project Based Rental Assistance (PBRA), and the Rental Assistance Demonstration to recapitalize public housing. Additionally, available data on rural areas is often partial and inaccurate, making it difficult to define the true need. HAC supports the application of the 10-20-30 persistent poverty formula to federal spending, rural impact and proportionality requirements in regulatory and legislative efforts, adoption of a more precise rural definition such as the one used by the Federal Housing Finance Agency, streamlining of HUD programs, and better rural data collection to better tailor federal programs to rural needs.



## **Tailoring of Tax Programs**

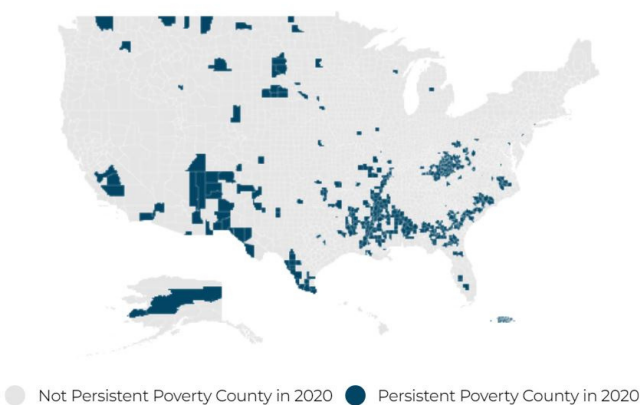
The Low-Income Housing Tax Credit (LIHTC) is arguably the most important resource for creating and maintaining affordable rental housing in the United States today. Over 13,000 properties were allocated LIHTC funding during the 2006-2016 time frame, approximately 25 percent of which were in rural areas. Rural places were almost twice as likely to receive competitive awards of tax credits as to receive tax credits tied to tax-exempt bonds. HAC supports improving LIHTC to better serve rural areas, including designating rural and Tribal areas as Difficult Development Areas, encouraging rural and Tribal set-asides in state Qualified Allocation Plans, and exploring new tax credits to serve rural housing needs.

## **High-Needs Rural Regions**

Many of the poorest rural Americans live in high needs regions or belong to vulnerable populations. These regions and populations are Tribal Lands, farmworker communities, the U.S. Mexico border colonias, the Lower Mississippi Delta, and Central Appalachia. Special circumstances, especially around low area median incomes in these regions, must be deliberately considered in federal policymaking.

### **Persistent Poverty Counties, 2020**

Counties with 20% or higher poverty rate in 2000, 2010, and 2020



Source: Housing Assistance Council Tabulations of the U.S. Census Bureau's 2000 Census of Population and Housing, 2006-2010 American Community Survey, and 2016-2020 American Community Survey.

### **• Tribal Lands**

Native communities face many of the same challenges characteristic of other persistently poor rural areas, with the addition of some unique barriers around land status and access to financial services. Often, traditional lenders will not lend in Indian Country because of the Tribal trust land status and a lack of lender recourse options in many Tribal legal

systems. HAC supports reauthorization of the Native American Housing Assistance and Self-Determination Act (NAHASDA), addressing non-traditional titles, and increased funding for tribal housing programs.

### **• Farmworker Communities**

There are approximately 3 million migrant and seasonal farmworkers in the United States. These workers and their families disproportionately live below the poverty line in crowded and substandard dwellings. HAC supports increased funding for USDA's Section 514 and 516 programs, the only federal programs that provide affordable financing to purchase, construct, or repair rental housing specifically for America's farm laborers.

### **• Colonias**

The border region between the United States and Mexico is dotted with thousands of rural communities characterized by extreme poverty and severely substandard living conditions. These communities, commonly called colonias, overwhelmingly lack basic infrastructure. Poor housing conditions are common in the colonias with an old, deteriorating housing stock, combined with newer units that do not meet building codes. HAC supports updating the definition of colonias, addressing non-traditional titles, and increasing targeted funds for colonias infrastructure.

### **• Lower Mississippi Delta**

The Lower Mississippi Delta has distinct economies, cultures, and even languages. With the legacies of a fading agricultural economy and the racist system which drove it, the region still endures a systemic and long-term economic depression which stifles the quality of life for many of its inhabitants. HAC supports tailored federal efforts to improve housing in the Lower Mississippi Delta, including addressing non-traditional titles, heirs' property, and area median income challenges.

### **• Central Appalachia**

The Appalachians' plentiful natural resources, including coal, natural gas, and timber, played a key role in the growth of the United States during the 19th and 20th centuries and remain vital to the nation's economic well-being. In the present day, however, the Appalachian region is more commonly

known for its economic challenges. High poverty rates, poor housing, and limited economic opportunities have persisted for generations. HAC supports tailored federal efforts to improve housing in Central Appalachia, including addressing nontraditional titles, heirs' property, an aging housing stock, and area median income challenges.

## **ABOUT HAC**

The Housing Assistance Council (HAC) is a national nonprofit that supports affordable housing efforts throughout rural America.

### **BUILDING OPPORTUNITIES: Lending**

HAC provides low interest rate loans to support homeownership and rental affordable housing projects throughout the United States and territories. Loans may be used for pre-development, acquisition, site development, rehabilitation, preservation, and construction activities.

### **BUILDING SKILLS: Capacity Building**

Each year, HAC delivers thousands of hours of technical advice to improve housing conditions for low-income residents in the rural United States. Recipients include local governments, private developers, and nonprofit organizations. HAC also sponsors regional training sessions, webinars, peer exchanges, and the HAC Rural Housing Conference every two years. Workshops focus on housing development and financing as well as building healthy local organizations. HAC also hosts specialized trainings at the request of nonprofits, foundations, and local, state, and federal governments.

### **BUILDING KNOWLEDGE: Research & Information**

HAC is the nation's foremost source of information on rural housing. In addition to a library of over 150 studies and reports on a wide range of topics related to rural housing, HAC maintains a biweekly newsletter and two data websites, [ruraldataportal.org](http://ruraldataportal.org), and [veteransdata.info](http://veteransdata.info). These offerings make HAC a leading resource on rural housing and help inform sound housing policy and strategy.

### **BUILDING A NATIONAL NETWORK: Rural Policy**

The Housing Assistance Council is independent and nonpartisan and contributes to the national debate on important issues and topics through public comments, positions, and statements. HAC regularly responds to Congress, federal agencies, and policy advocacy coalitions with the research and information needed to make informed policy decisions.

## **Rural Housing By The Numbers**

44% of rural renters are housing cost burdened.

1.4 million, or 5.6 percent, of homes in rural areas are classified as inadequate.

Roughly 368,000 of these substandard homes have serious deficiencies with plumbing, heating, electric/wiring.

81% of persistent poverty counties are located in rural areas.

In some rural communities, especially on Native American lands, the incidence of homes lacking basic plumbing can exceed 20 times the national rate.

One out of every three Black or Native American rural residents lives in poverty.

Source: [Rural Data Portal](http://Rural Data Portal)