



Housing Assistance Council
Building Rural Communities

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Affordable Rural Housing Issues and Recommendations:
RURAL RENTAL HOUSING

Despite a general neglect of rental housing by national housing policy through most of the first decade of the 21st Century, the U.S. Department of Agriculture (USDA) Rural Development (RD) housing office and Congress recognized the need to preserve affordable rental housing in rural America and developed useful demonstration programs that are now ready to be made more broadly available. Past successes also illustrate effective ways to develop new rural rentals for low-income tenants. The Housing Assistance Council encourages the Obama Administration and the 111th Congress to:

- △ **Fund the Section 515 rental program at levels comparable to the program's 1994 appropriation of \$512 million.** Affordable rental housing is scarce in many rural places, and new construction has dropped sharply over the last 20 years as Section 515 funds have been cut. Rural housing organizations have made good use of Low Income Housing Tax Credits, but tax credits alone cannot produce rentals affordable to the lowest income rural residents. In 2009, a \$250 million economic recovery appropriation for Section 515 could finance construction of 3,000 apartments and create 3,500 jobs, in addition to those provided by a regular appropriation of \$150 million.
- △ **Provide USDA Section 521 Rental Assistance (RA) or HUD Section 8 vouchers to Section 515 and 514 tenants** who would otherwise pay more than 30 percent of income for rent. The average income of Section 515 tenants is just under \$11,000 (as of April 2008) and more than half of them are elderly or disabled, thus probably living on fixed incomes. Despite the Section 515 assistance to their landlords, 16 percent of Section 515 tenants pay more than 30 percent of their incomes for their homes. The cost of renewing all expiring RA contracts in FY 2009 is almost \$1 billion, assuming that contracts are for only one year and no new RA units are provided – but without RA very low-income tenants cannot afford their rent and property owners often cannot balance their budgets, while without longer-term contracts (e.g., five years) other funding sources are reluctant to participate in projects that seem to have uncertain futures.
- △ **Preserve and revitalize affordable Section 515 and 514 rural rental housing.** These properties are aging, with many badly in need of repairs and renovations. At the same time, some owners want to prepay their mortgages and leave the Section 515 program, often because they hope to convert their apartments to market-rate rentals. Federal intervention is needed.
 - **Implement promptly Section 2833 of the Housing and Economic Recovery Act of 2008** to expedite sales of Section 515 properties to new owners who would keep them affordable for low-income tenants.
 - **Provide permanent authorization for USDA's Multi-Family Housing Preservation and Revitalization (MPR) program,** a successful demonstration that has operated since 2006, enabling owners or new purchasers to revitalize aging properties in exchange for keeping rents affordable. Permanent authorization is also needed for USDA's Preservation Revolving Loan Fund, which makes long-term low-interest loans to intermediary organizations that, in turn, loan funds to preservation owners.
 - **Provide substantial funding for the MPR and PRLF programs.** An additional \$400 million in economic recovery legislation would rehabilitate and preserve 14,870 Section 515 rental units and create 4,400 construction jobs over 18 to 24 months.
 - **Retain current prepayment restrictions** on Section 515 properties financed before 1989.
- △ **Protect tenants of Section 515 and 514 properties.** Provide portable vouchers without time limits for tenants of properties whose mortgages are prepaid or foreclosed, and require owners to allow the tenants to remain in their homes. USDA's voucher program must recertify tenants annually or when households experience hardship such as death or loss of a job. Voucher amounts must be adjusted annually to reflect inflation. Immigration restrictions must be made consistent with those used by HUD, pursuant to the statutory provision that applies to both agencies.
- △ **Protect tenants in all foreclosed rental properties.** This means not only requiring lenders to give tenants 90 days' notice or to honor existing leases, but also assisting tenants in finding other rentals and paying security deposits, utility deposits, and moving costs.