



Housing Assistance Council

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RURAL HOUSING ISSUES AND RECOMMENDATIONS

Preserve and revitalize affordable Section 515 rural rental housing, and protect the tenants of properties that cannot be preserved. Since 1962, the U.S. Department of Agriculture's Section 515 program has provided low-cost mortgages for property owners to develop rental housing that is affordable to the lowest income rural Americans. The incomes of current Section 515 tenants average about \$10,000 and more than half of them are elderly or disabled. Now Section 515 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 to preserve the taxpayers' investment in these properties and to save tenants' homes.

- Enact H.R. 3873, the Section 515 Rural Housing Property Transfer Improvement Act of 2007, which would require the U.S. Department of Agriculture to expedite sales of Section 515 properties to new owners who would keep them affordable for low-income tenants.
- Enact H.R. 4002, the Rural Housing Preservation Act of 2007. It would create a preservation program based on a successful USDA demonstration program that was funded in 2006 and 2007, enabling owners to refinance their properties and obtain additional monies to revitalize aging properties, in exchange for keeping their properties affordable. It would also provide vouchers so tenants can remain in their homes at affordable rents, whether their properties are revitalized, prepaid, or foreclosed.
- Retain current restrictions on prepayment of properties financed before 1989, rather than removing them as was proposed in H.R. 5039 in the 109th Congress.

Protect homeowners against foreclosure when possible, and against predatory lenders in the future. Support proposals to eliminate prepayment penalties, convert adjustable rate mortgages to fixed rate mortgages, allow deferral of payments, expand post-purchase counseling programs, regulate mortgage originators, and the like. Changes that would be particularly important for rural areas include:

- enable rural homeowners in danger of defaulting on mortgages obtained with USDA Section 502 guarantees to refinance with Section 502 direct loans, which have lower interest rates and therefore require lower payments;
- help owners of manufactured homes to obtain standard mortgages to replace the high-cost personal property loans that are often used to purchase these structures; and
- protect tenants whose landlords' mortgages are foreclosed by requiring new owners to honor their leases or give them at least 90 days' notice to vacate.

Enact the Rural Housing Stability Assistance program proposed in the Community Partnership to End Homelessness Act (S. 1518). In rural places, small community-based and faith-based organizations are often the only entities providing services for homeless individuals and families. To improve their ability to help their clients, this new program would:

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- target resources to help people who are either literally homeless or in unstable housing situations; the latter is particularly important in rural areas, where people without homes of their own often find temporary shelter with friends or relatives rather than living on streets;
- use a simplified funding application for rural community organizations, which do not always have staff with fundraising experience; and
- allow community groups to use a portion of their funding for capacity building: staff training, equipment purchases, and the like.

Establish a rural-sensitive national housing trust fund. Support H.R. 2895, the National Affordable Housing Trust Fund Act of 2007 – which would create a program with an ongoing, dedicated source of funding to develop housing for the very lowest income Americans – and H.R. 1852 and H.R. 1427, which would identify funding sources for the trust fund. Trust fund assistance to rural places should be targeted to tenants with incomes at 30 percent of area median or the federal poverty level, whichever is higher; in rural places with low area median incomes, restricting eligibility to 30 percent of area median would shut out residents who desperately need assistance.

Ensure that direct rural housing loans are not replaced by loan guarantees that cannot serve the same income levels. By providing loans directly to them, USDA’s Section 502 direct loan program makes homeownership possible for very low- and low-income rural residents who cannot qualify for private mortgages, and ensures that they will not turn to predatory lenders to achieve their dreams. The Administration’s 2008 budget proposes to defund this program and replace it with a new subsidized mortgage guarantee program, to compliment the existing Section 502 guarantee program. Legislation to create such a new program has not yet been proposed. The direct and guarantee programs serve different populations: in 2006 homebuyers receiving Section 502 direct loans had an average income of \$22,992, compared to \$40,442 for homebuyers with Section 502 guaranteed loans. The direct loan program must be kept in place with full funding unless and until a new program, capable of serving the same very low income levels, is in place.

Adopt H.R. 1982, authorizing HUD’s Rural Housing and Economic Development program. The Administration has stated repeatedly that HUD’s Rural Housing and Economic Development (RHED) program duplicates USDA rural housing programs. Unlike USDA’s programs, however, RHED provides scarce federal capacity building and project funding directly to organizations serving small rural communities.

Ensure that USDA farmworker housing remains available for farmworkers.

- Keep Section 521 Rental Assistance (RA) available for USDA Section 514/516 tenants. USDA should assess the use of RA at each property no more often than once a year. If USDA determines that a rental unit no longer needs RA, all efforts should be made to direct the subsidy to other farmworkers, in the following order of priority: those on the current waiting list for the same project, those living in other 514/516 projects within the same owner’s portfolio, those in the same state, and, finally, those in other states.
- Maintain Section 514/516 eligibility for farmworkers, not processing workers. If eligibility is expanded, a strong preference for farm laborers should be built into the program.

Maintain full funding for HUD and USDA housing programs. Reject Administration proposals to reduce or eliminate funding.

Ensure the rural housing programs remain at USDA. Suggestions to move the rural housing programs to the Department of Housing and Urban Development ignore the very real differences between rural and urban America. USDA’s expertise and its established network of offices in rural places enable it to deliver housing assistance to the rural residents who need it.