HAC

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Statement for the Record of
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before the Committee on Appropriations,
Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies,
U.S. Senate
April 26, 2013

The Housing Assistance Council (HAC) appreciates this opportunity to submit testimony regarding the U.S. Department of Agriculture (USDA) Rural Development budget for fiscal year 2014. HAC greatly appreciates the Subcommittee's support for USDA rural housing programs in recent years' appropriations bills.

Since its creation in 1971, HAC has provided financing, information, and technical services to nonprofit, for-profit, public, and other providers of rural housing. Because HAC works closely with local organizations around the country, we know firsthand the challenges rural communities face.

During the current recession it is particularly important to support the rural housing programs administered by USDA Rural Development's Rural Housing Service (RD). The housing needs of low-income people in both urban and rural places predated the housing crash and will outlast it. RD's programs have a long history of success in meeting these needs, and can help rural America not only to recover from the recession, but also to move forward.

Almost one of every four homes in this country is located in a rural area. Over 7 million rural households – three in ten – pay more than the federal standard of 30 percent of their monthly income for housing. Most of these cost-burdened rural households have low incomes. At the same time, more than 30 percent of the nation's housing units lacking hot and cold piped water are in rural and small town communities. Housing problems are often not isolated and in many cases are compounded by the combination of inadequacies related to affordability, housing quality, and crowding. Over half of rural and small town households with multiple problems of cost, quality, or crowding are renters. Minorities in rural areas are among the poorest and worst housed groups in the entire nation, with much higher levels of inadequate housing conditions. Housing needs are particularly severe for certain rural places and populations including Native Americans, the Mississippi Delta, Appalachia, the colonias along the U.S.-Mexico border, and farmworkers. Complicating efforts to improve rural housing, many rural places lack strong, experienced nonprofit housing organizations.

Despite the needs, funding for USDA rural housing programs has decreased significantly in recent years. These reductions deprive rural Americans of the assistance they need to obtain decent, affordable homes.

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HAC's specific recommendations for FY 2014 appropriations are provided in Table 1. By funding RD housing programs at these levels, the subcommittee would:

Support continued strong direct lending programs for single- and multifamily rural housing development. RD's housing toolbox includes direct loan programs for homeownership and for development of rental housing, and loan guarantee programs for the same two purposes. The Administration's budgets have consistently emphasized the guarantee programs because their costs are covered by fees to participants rather than by federal spending. The guarantee programs cannot replace the direct programs, however, because they do not serve the same populations.

In 2011, homeowners receiving Section 502 direct loans had an average income of $27,053, compared to $50,571 for owners with Section 502 guaranteed loans. Similarly, the average income of tenants in developments financed with Section 515 direct loans was $11,337 as of April 2012. No recent figure is available for tenants in properties with private loans guaranteed under USDA's Section 538 program, but in 2005 the average income of tenants in Section 538 developments was more than $10,000 higher than the average income for tenants in Section 515 properties.

Support self-help "sweat equity" housing. The 2014 budget proposes to cut the small Section 523 self-help housing account by two-thirds, from $30 million to $10 million. The program deserves better: it is an incredibly effective way to make homeownership accessible to low- and very low-income rural Americans. Groups of eight to ten families work together building their own and their neighbors' homes with up to 1,500 hours of sweat equity. Families provide 65 percent of the construction labor, spending long hours working on their houses in the evenings after work and on weekends. These extensive labor contributions mean that families have equity in their homes, and that the new owners know how to repair their houses, know their neighbors, and have a strong sense of community. In addition, a number of them use their on-the-job training to find new jobs in construction.

Enable the Section 515 rental program to support preservation of existing properties and also development of new ones. 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 Section 538 guaranteed loans and Low Income Housing Tax Credits, but these resources alone cannot produce rentals affordable to the lowest income rural residents. Section 515 funds are also used to help preserve existing USDA-funded rental properties. The $28.4 million level in the Administration's budget would fund preservation only; no new construction money would be available.

Provide enough USDA Section 521 Rental Assistance to renew all expiring contracts and to fill the gap in FY13 funding. The cost of USDA's Rental Assistance (RA) program increases every year not only because rents are increasing, but also because more RA contracts are expiring – and therefore being renewed – every year. At one time RA contracts were 20 years long, with the entire cost of the contract charged to the agency's budget in the first year. Then contracts were shortened to five years and eventually to one year. Gradually, then, as old contracts expire and are renewed for one year at a time, an ever larger number of contracts must be renewed every year.

The budget proposes to increase RA funding, asserting that the proposed $1 billion will be enough to renew all RA contracts due to expire during FY14. HAC has two concerns about the amount proposed. First, USDA has stated publicly that in FY13, because of sequestration and the additional 2.5 percent cut to USDA programs, RD will run out of Rental Assistance funding during the month of September and will be unable to renew over 15,000 RA contracts. At a House Agriculture Appropriations Subcommittee hearing on April 24, USDA Deputy Under Secretary Doug O'Brien stated, in response to a question from Rep. Sam Farr, that the Administration's FY14 budget does not include enough to cover those contracts. Second, RD has not made data available that would enable others to make their own calculations about the amount needed to renew all expiring RA contracts in FY14.

Full funding for RA is essential because tenants receiving RA are particularly vulnerable. The average income for Section 515 residents with RA is less than $9,500 per year, compared to the already low $11,300 average for all Section 515 tenants in USDA-financed rental housing. Sixty-one percent of Section 515 tenants are elderly or disabled, most living on fixed incomes. Tenants in Section 514/516 housing are farmworkers and their families, many of whom earn irregular and low wages.

Fund the Section 514/516 farm labor housing program for construction of needed new units. Housing problems such as substandard housing quality, crowding, and affordability issues are commonplace among migrant farmworkers who travel to follow crop seasons and labor demand, as well as those who reside in the same community year-round. RD farm labor housing funds are an important resource for developers, but funding has always been too low compared to the need.

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. HAC recommends that Congress provide substantial funding for the Multi-Family Housing Revitalization (MPR) and Preservation Revolving Loan Fund (PRLF) programs. Created a few years ago as demonstration programs, MPR and PRLF have proven to be invaluable tools in preservation efforts. Congress should also continue to set aside $6 million in RA each year for debt forgiveness or RA payments as authorized by Section 502(c). This set-aside gives USDA a degree of flexibility in using these funds that is not provided by Section 521 but is essential for preservation efforts.

Continue building the capacity of rural housing organizations to meet their own communities' needs. Mission-driven community organizations, primarily nonprofits, play an essential role in putting rural housing funds to work in rural places. To use rural housing programs effectively to improve housing and contribute to sustained economic recovery, a strong nonprofit presence is required. To support community-based nonprofit organizations, their employees, and their vital role, the Housing Assistance Council recommends an appropriation of

$6.1 million in FY14 for USDA's Rural Community Development Initiative (RCDI), which funds intermediary organizations that build organizational capacity for local housing organizations.

Capacity building for nonprofit rural housing providers is one of the recommendations made recently by the Bipartisan Policy Center's Housing Commission. The Commission's report, which devotes a chapter to rural housing, also recommends that housing policy "support and strengthen USDA's role in rural housing. USDA has a presence in rural communities that is critical for administering support to vulnerable households. . . . USDA is well-positioned to leverage the existing resources and infrastructure of rural service providers that understand the unique conditions of local markets."

Thank you for the opportunity to provide this testimony for the record. HAC asks the Subcommittee, and the Congress, to support jobs, job training opportunities, asset building for hardworking low-income families, and preservation of past federal investments in rural America, by supporting HAC's proposed FY14 funding levels for USDA's rural housing programs.

Table 1:
Housing Assistance Council's
Recommended Rural Housing Program Funding Levels

USDA Rural Development Program (dollars in millions)	FY12 Approp.	FY13 Approp.*	FY14 Admin. Budget	FY14 HAC Recomm.
502 Single Fam. Direct	$900	$900	$360	$900
504 Very Low-inc. Rpr. Loans	10	28	26.3	28
504 Very Low-inc. Rpr. Grts.	29.5	29.5	25	29.5
515 Rental Hsg. Direct	64.5	31.3	28.4	64.5
514 Farm Labor Hsg. Loans	20.8	25.6	23.5	26
516 Farm Labor Hsg. Grts.	7.1	8.84	14	9
521 Rental Assistance**	904.7	907.1	1,015	1,015+
Preservation RA	0	0	0	(6)
New Constr. 515 RA	(1.5)	0	0	(1.5)
New Constr. 514/516 RA	(2.5)	(3)	(3)	(2.5)
523 Self-Help TA	30	30	10	30
533 Hsg. Prsrv. Grants	3.6	3.6	0	3.6
Rental Prsrv. Demo. (MPR)	2	17.8	20	27.8
Rental Prsrv. Revlg. Lns.	0	0	0	1.8
Rural Cmnty. Dev't Init.	3.6	6.1	0	6.1

* Figures shown do not include 5% sequester and 2.5% across the board reduction.
** Amounts in parentheses are included in the Rental Assistance totals.