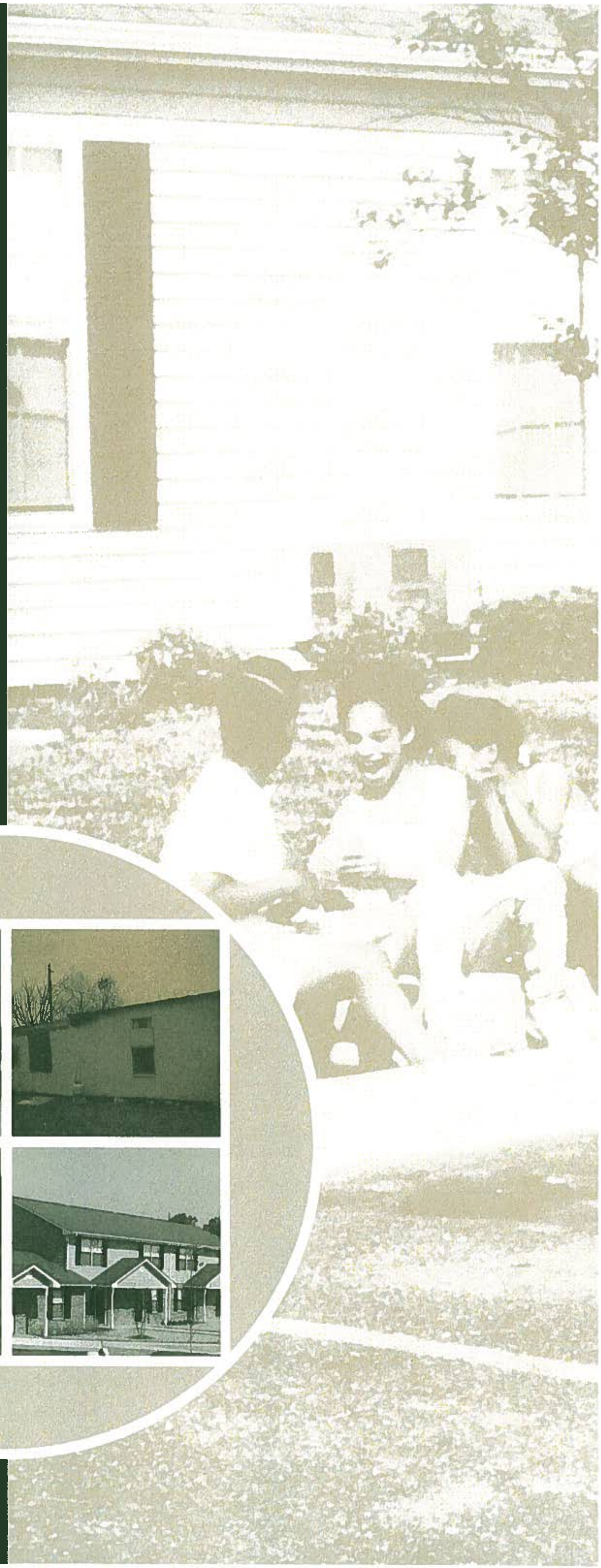
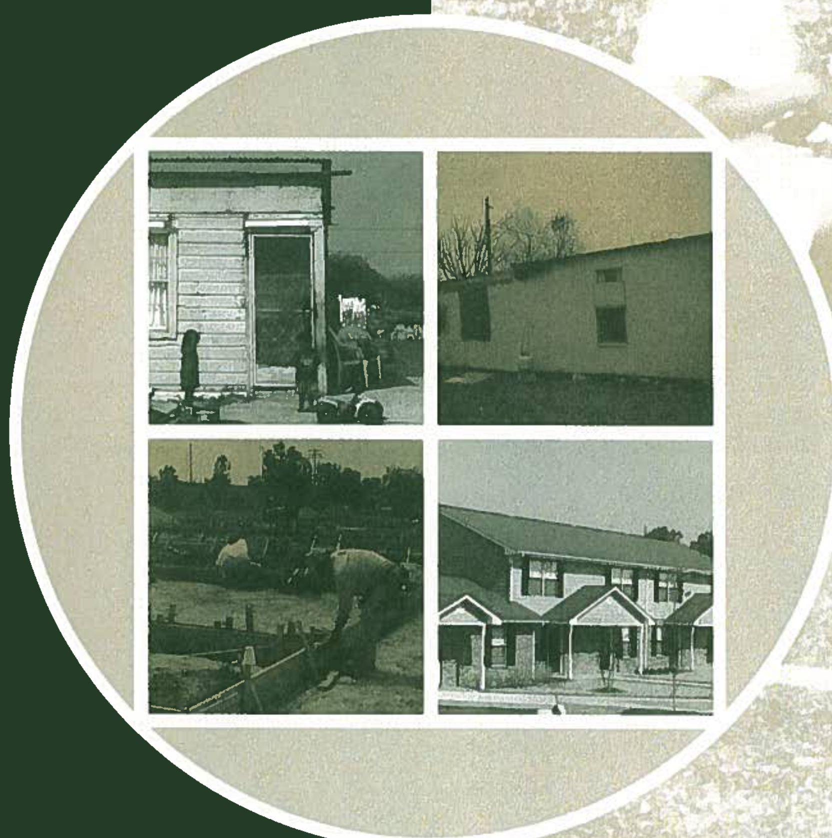
Rural Rental Housing

HAC's 1999 State of the Nation's
Rural Housing Report





Housing Assistance Council

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HAC, founded in 1971, is a nonprofit corporation that supports the development of rural low-income housing nationwide. HAC provides technical housing services, seed money loans from a revolving fund, housing program and policy assistance, research and demonstration projects, and training and information services.

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RURAL RENTAL HOUSING:

HAC'S 1999 REPORT ON THE STATE OF THE NATION'S RURAL HOUSING

Housing Assistance Council

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EXECUTIVE SUMMARY

In a nation that places value on homeownership and has committed substantial resources to increasing ownership opportunities, the needs of rental households can often be overlooked. Rental housing provides a housing alternative for the millions of rural families unable to purchase or uninterested in owning a home. In rural communities where homeownership has long been the preferred form of tenure for the vast majority of households (76 percent), the importance of the rental housing stock and the needs of renter households are often ignored.

With just under 9 million occupied rental units, 24 percent of the total occupied rural housing stock is renter-occupied. Although they make up a smaller proportion of the total rural population than rural homeowners, rural rental households suffer some of the most significant housing problems in the United States. There is a significant need for rental housing assistance to alleviate housing cost burden, improve substandard conditions, and increase the supply of affordable rental housing. Despite these pressing needs, attention to rural rental housing issues has been limited and resources to address these conditions are limited.

This year's *State of the Nation's Rural Housing* is an examination of the occupied U.S. rural rental housing stock and the needs of rural rental households. This report reflects both an analysis of 1995 American Housing Survey (AHS) data and a summary of roundtable discussions convened by the Housing Assistance Council (HAC).

This examination of rural rental housing issues revealed the following:

⌂ There are 8.9 million occupied rental units in rural America. Sixty-one percent of all rural rental households are low-income. Female-headed households make up 46 percent of all rural rental households and minority-headed households make up 17 percent.

⌂ More than 1 million rental households in rural America experience worst case needs; these are very low-income, extremely cost burdened and/or inadequately housed, rental households who do not receive federal housing assistance.

⌂ Housing cost burden is the most significant problem facing rural rental households. One third of all rural renters pay more than 30 percent of their income for housing costs, and 92 percent of all rural worst case needs households are severely cost burdened, paying more than 50 percent of their income for housing costs.

⌂ Over 900,000 rural rental households (10.4 percent) live in either severely or moderately inadequate housing. Over 19 percent of rural worst case renters live in housing that is at least moderately substandard.

⌂ Funding for the Section 515 program, the major project financing tool for developing rural rental housing, has decreased by 74 percent since 1990. Consequently, the number of new units produced using this program has also decreased significantly.

⌂ The growing trend of using guaranteed loans to finance affordable rural rental housing development does not serve very low-income households. In order to serve the poorest of the poor, additional subsidies are typically needed.

⌂ Preserving the current stock of affordable rural rental housing is one of the most pressing issues for housing advocates. Project owners, particularly older owners, are choosing to opt out of affordable housing programs. Strategies must be developed to keep these units affordable to low-income households.

This report consists of several sections that speak to issues of rental housing supply, affordability, quality, and federal rental assistance and project development financing programs. The study concludes with a section of general and specific policy recommendations that were provided by HAC's roundtable participants. Overall, the data and panel discussions strongly indicate that an increased level of funding must be dedicated to increasing, improving, and maintaining the stock of rural rental units in the U.S.

INTRODUCTION

In a nation where homeownership is part of the "American Dream," rental housing is often regarded as a less desirable form of housing. This tendency is all the more common in rural America, where homeownership has long been the tenure of choice for most households; the current homeownership rate for rural America is 76 percent.[1] With just under 9 million rental units, only 24 percent of the rural housing stock is renter-occupied. However, a great amount of need is concentrated among rural renter households.

A recent study estimates that one out of four rural families suffers from "chronic stresses that are rooted in the social risks associated with rural residence." These conditions include income instability, substandard housing, and inadequate social services. These factors place rural families at a greater risk of living in poor housing situations.[2] For rural renters, these problems are even more intense. The majority (65 percent) of all rural renters are low-income, many live in substandard housing, and one-third pay more than 30 percent of their income for housing costs. Over one million rural renters are considered to be worst case households; they are very low-income, and live in inadequate housing, or are extremely cost burdened. These worst case needs households are further distinguished in that they do not receive any form of federal housing assistance.

This year's *State of the Nation's Rural Housing* examines the demographics of rural rental households, the stock of occupied rural rental housing, and the operation of various Rural Housing Service (RHS) and Department of Housing and Urban Development (HUD) programs to address rural rental housing concerns.[3] This report presents statistical data to illustrate the condition of rural rental households and housing, as well as a summary of roundtable comments from practitioners engaged in the development of rural rental housing.

Methodology

This review of rural rental housing issues reflects a variety of data collection methods. The statistical data in this report are Housing Assistance Council (HAC) calculations using microdata from the 1995 Annual Housing Survey (AHS), unless otherwise noted.[4] The AHS is conducted every two years by the Bureau of the Census for the Department of Housing and Urban Development (HUD). Some data are presented throughout the text, and detailed numbers are included in tables in the appendix. This report also provides programmatic data for various rental assistance and development programs administered by the Rural Housing Service (RHS) of the U.S. Department of Agriculture (USDA) and HUD.

These data are further supplemented by transcripts from roundtable discussions hosted by HAC. These roundtables were assembled to provide a contextual background for the available data and grassroots insight on rural rental housing issues.

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[1] All data presented in this study are from the 1995 AHS, unless otherwise noted.

[2] J.L. Bokemeier and L.E. Garkovich, "Meeting Rural Family Needs," in C.B. Flora and J.A. Christenson (eds.), *Rural Policies for the 1990's*, Boulder, Colo., 1991.

[3] Roundtable participant comments, and consequently, the data analysis for this report focused specifically on the Section 515, Section 521, Section 538, and Section 8 programs. Low Income Housing Tax Credits were also discussed. This report does not reflect any analysis of other federal programs, including HOME or any specific state-based rental housing programs.

[4] 1995 AHS data are used in this study because of problems with 1997 data that were not resolved in time for this publication.

The Roundtables

HAC convened three roundtable discussions on rural rental housing in summer 1999. These dialogues addressed a number of issues, including affordable rural rental housing development, preservation of existing units, and serving those residents left behind by America's recent period of economic expansion.

Each roundtable session included national and local experts on rural rental housing issues. Each session was limited to ten or fewer participants in order to facilitate in-depth discussion and debate.[5] Discussion participants represented a broad spectrum of perspectives, interests, and expertise. For example, participants included representatives from federal and state agencies active in rural rental housing development, local and regional nonprofit housing developers and advocates, private for-profit developers, and lending institutions. Participants also reflected a great deal of geographic diversity, including the views and perspectives of four regions: the Northeast, Midwest, Southeast, and West Coast. The roundtables were held in Washington, D.C., Kansas City, Mo., and San Francisco, Calif.

The panel of rental housing experts attending the Washington discussion included:

⌂ Jim Beechler, Fannie Mae, Washington, D.C.;
⌂ Michael Bodaken, National Housing Trust, Washington, D.C.;
⌂ Carl Grate, Rural Housing Service, U.S. Department of Agriculture, Washington, D.C.;
⌂ Sue Harris Green, Rural Housing Service, U.S. Department of Agriculture, Washington, D.C.;
⌂ Saundra Jones, Kentucky Housing Corporation, Frankfurt, Ky.;
⌂ Joe Myer, NCALL Research, Inc., Dover, Del.;
⌂ John Pentecost, U.S. Department of Housing and Urban Development, Washington, D.C.; and
⌂ John Zippert, Federation of Southern Cooperatives, Epes, Ala.

Participants in the Kansas City roundtable were:

⌂ Chris Imming, Federal Home Loan Bank of Topeka, Topeka, Kan.;
⌂ Richard Jackson, ECKAN, Inc., Ottawa, Kan.;
⌂ Charlie H. Marcks, Rural Development, U.S. Department of Agriculture, Columbia, Mo.;
⌂ Pete Ramsel, Missouri Housing Development Commission, Kansas City, Mo.;
⌂ Sue Watlov Phillips, Minnesota Coalition for the Homeless, Minneapolis, Minn.;
⌂ Lewis Weinberg, Weinberg Investments, Inc., Sioux City, Iowa; and
⌂ Mark Welch, Mercy Housing, Inc., Denver, Colo.

The San Francisco roundtable was attended by:

⌂ Gideon Anders, National Housing Law Project, Oakland, Calif.;
⌂ Celeste Cantu, Rural Development, U.S. Department of Agriculture, Davis, Calif.;
⌂ Michael Carroll, Bank of America Community Development Bank, Sacramento, Calif.;
⌂ Jeanette Duncan, People's Self-Help Housing Corporation, San Luis Obispo, Calif.;
⌂ Maureen Markham, Housing Resource Team, Department of Community, Trade, and Economic Development, Olympia, Wash.;
⌂ John F. Mealey, Coachella Valley Housing Coalition, Indio, Calif.;
⌂ William Pavao, Division of Community Affairs, California Department of Housing and Community Development, Sacramento, Calif.;
⌂ Margaret Schrand, Wells Fargo Bank, San Francisco, Calif.;
⌂ Dave Summers, Bank of America Community Development Banking Group, Portland,

[5] See Appendix B for the roundtable discussion topics.

Ore.; and

⌂ Brien Thane, Office of Rural and Farmworker Housing, Yakima, Wash.

Definitions

“Rural” and “nonmetropolitan” are not synonymous terms.[6] HAC defines “rural” in this report as all unurbanized areas, both within and outside of metropolitan areas. Nonmetropolitan areas are those counties that lie outside metropolitan statistical areas (MSAs). Metro areas consist of counties with central cities of at least 50,000 residents and surrounding contiguous counties that are metropolitan in character.

When referring to statistical data, this report uses the terms “rural” and “nonmetro” according to their precise definitions. Thus, populations referred to by these terms will differ with regard to size and location. For example, the rural population, using the HAC definition, is much larger than the nonmetro population. This report uses the term rural in a more general sense when not referring to specific data.

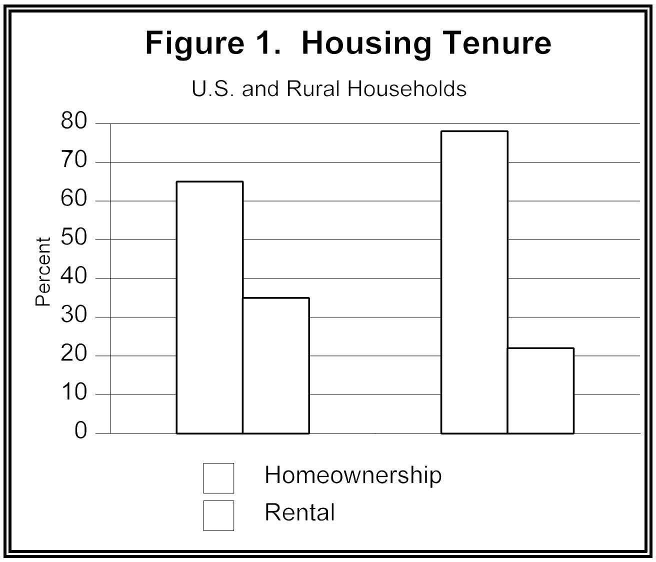
[6] For a more detailed discussion of these definitions see Appendix A.

RURAL RENTAL HOUSEHOLDS

"This is all about people who have been left behind, left out."[7]

Rental units are an important part of the nation's housing stock. For those households who cannot afford to purchase their own homes, renting can provide an affordable housing option. Rental housing also provides flexibility for those households with career, stage of life, or family size demands that homeownership simply does not provide.

While 76 percent of rural households own their homes (Figure 1), there are a growing number of rural rental households. Currently, 8.9 million households (24 percent) in rural America rent their housing. This is an 8 percent increase in the total number of rural rental households since 1985.



The demographic make-up of rural rental households differs greatly from those of rural homeowner households. The following sections illustrate the income, gender, race, and age differences that shape the rural renter population. Because of these characteristics, the needs of the renter population differ from other rural households, and from other households nationally.

Worst Case Housing Needs

Of the 8.9 million rural rental households, 1 million (11 percent) are worst case needs households. According to HUD, a household has worst case needs if it meets four major criteria:

- ⌂ is a rental household;
- ⌂ does not receive federal housing assistance;
- ⌂ has an income below 50 percent of the area median family income, as established by HUD; and

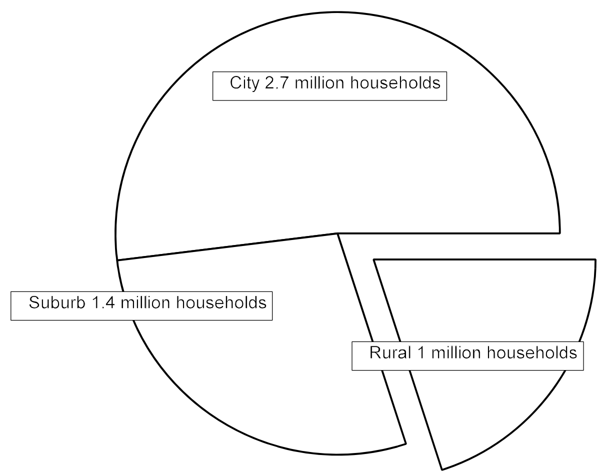
[7] The quotes provided throughout this report are taken from HAC's roundtable summaries. Although the quotes are not attributed to specific panelists, these comments were recorded with the permission of the participants.

- pays more than one-half of its household income for rent and utilities or lives in severely substandard housing.

While the majority of worst case households live in America's cities, over 1 million live in rural areas. One in five worst case needs households lives in a rural area (Figure 2).

Figure 2. Worst Case Households

by location



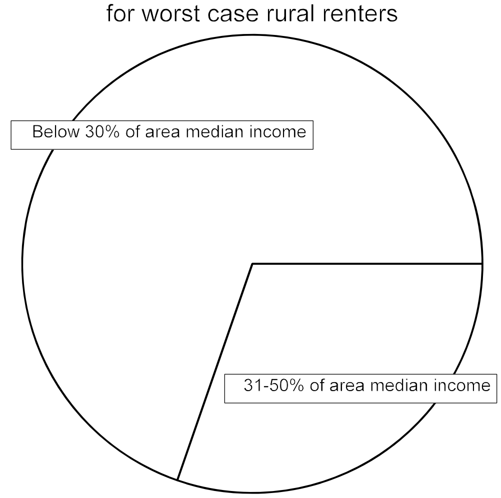
This report presents data for worst case households, in addition to general rental housing data, as an indicator of housing conditions for those rural residents with the most extreme housing needs. These households suffer from a cross section of housing problems that typify many rural renters. However, these 1 million households lack federal housing assistance to alleviate housing burdens. The condition of worst case needs households is an important gauge of unmet rental housing need and indicates future demand for rural rental assistance and development.

Income

Sixty-one percent of all rural renter households are low-income, whereas only 35 percent of all rural homeowner households are low-income. Renters account for 42 percent of all low-income rural households. By definition, all rural worst case households have very low incomes. Most of these households, however, are in even more dire economic straits. Of the more than one million rural renters with worst case needs, 70 percent are classified as extremely low-income, having incomes below 30 percent of the area median (Figure 3). Rural worst case households have a median income of only $6,000, which is almost five times lower than the national median income of $29,000.

Figure 3. Income

for worst case rural renters



Female-Headed Households

In rural areas, 68 percent of all households are headed by married couples or men, with single women heading the remaining one-third households. However, among rural renters these gender characteristics are dramatically different. Female-headed households make up 46 percent of all rural rental households and 61 percent of worst case households (Figure 4). This is consistent with national trends in which female-headed households are the poorest of the poor and the worst housed.[8]

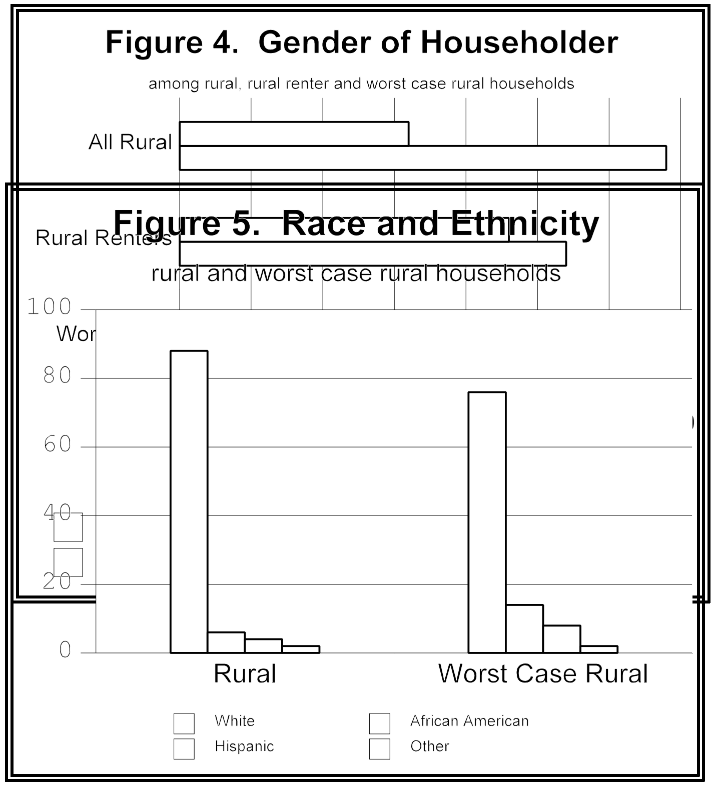


Figure 4. Gender of Householder

Figure 5. Race and Ethnicity

Race and Ethnicity

Given the racial make-up of rural America, most rural renters are white. However, African and Hispanic Americans are over represented among rural rental households (Table 1). Although African Americans head only 6 percent of all rural households, African Americans head 10 percent of rural rental households. Only 4 percent of all rural households are Hispanic. However, Hispanic Americans head 7 percent of rural rental households.

Table 1
Race and Ethnicity of Rural Renter Households

Race and Ethnicity of Householder	Number of Rural Renter Households	Percentage
White	7,141,000	80%
African American	933,000	10%
Hispanic	651,000	7%
Other	230,000	3%
Total	8,955,000	100%

African and Hispanic Americans are also over represented among rural households with worst

[8] Housing Assistance Council, *The Poorest of the Poor: Female-Headed Households in Nonmetro America,* HAC: Washington, D.C., 1995. The disproportionate number of rural elderly households experiencing worst case needs may somewhat influence this gender disparity, as many elderly women are widowed or single. On the other end of the spectrum, a significant proportion (45 percent) of worst case needs female-headed households are younger households with children.

case needs. The overwhelming majority (88 percent) of all rural householders are white. However, they only make up 76 percent of worst case rural households. African Americans make up only 6 percent of all rural households, but 14 percent of worst case rural households (Figure 5). Similarly, only 4 percent of rural householders are Hispanic, yet Hispanic American headed households make up 8 percent of rural households with worst case needs.

Elderly Households

The majority of rural renter households (65 percent) are headed by householders under the age of 44 (Table 2). However, elderly householders are over represented among worst case households. While householders over the age of 65 make up only 15 percent of rural renters, they account for 21 percent of the rural worst case households.

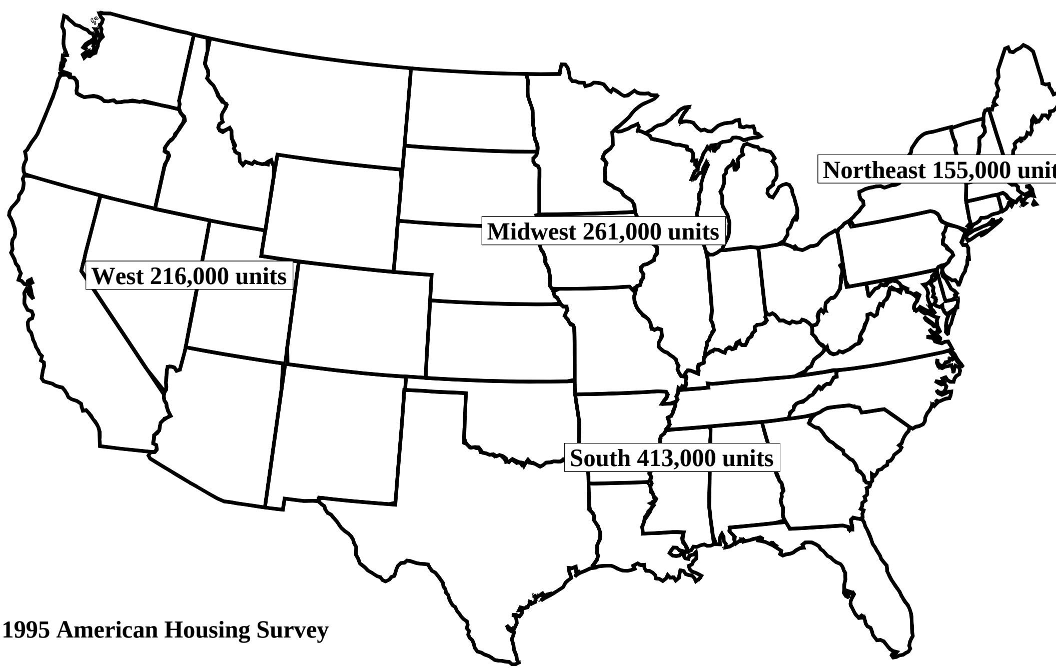
Table 2
Age of Rural Renters and Worst Case Rural Renters

Age of Householder	Rural Renters	Worst Case Rural
Under 25	13%	15%
25 to 34	29%	23%
35 to 44	23%	19%
45 to 64	20%	21%
Over 65	15%	21%
Total	100%	100%

Regional Distribution

Nationwide approximately 5.3 million households (5 percent) experience worst case needs. Over 1 million (19.6 percent) of these worst case households live in rural areas. Among all U.S. households, worst case occurrences tend to be distributed relatively evenly among the four geographic regions. However, for rural renters, worst case need is somewhat concentrated in the South. A little over 400,000 (40 percent) of all rural worst case households are located in the South (Map 1). The Southern region includes such high need areas as the Mississippi Delta and the colonias. One quarter of rural worst case households are in the Midwest, followed by 21 percent in the West and 15 percent in the Northeast.

Map 1
Rural Worst Case Needs Households
by region



Source: 1995 American Housing Survey

RURAL RENTAL HOUSING SUPPLY

"If you don't extend programs to rural areas, you're putting a tough burden . . . on the poorest and most needy people."

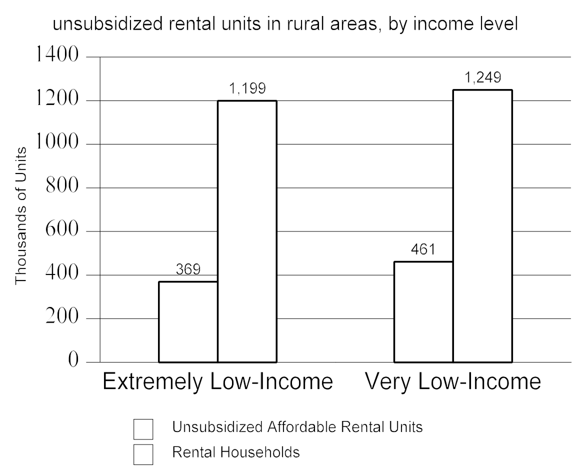
The total stock of rural rental units has been growing slowly over the last decade and a half. Currently, there are 8.9 million occupied rental units in rural America, a 6.7 percent increase since 1985. This increase in the occupied rental housing stock has not been adequate to house the number of low-income rural residents in need of affordable rental housing, however. Although federal programs have increased the stock of subsidized rental units, development has not kept pace with the loss of unsubsidized units.

Nationally the stock of affordable rental housing has been decreasing at an alarming rate. According to the *1999 State of the Nation's Housing*, the national stock of unsubsidized rental units affordable to very low-income renters decreased by almost 900,000 units (from just under 10.4 million to 9.5 million units) from 1993 to 1995. The number of rental units affordable at 30 percent of income to extremely low-income households fell nationally from 1.9 million units in 1991 to 1.5 million units in 1995.[9]

The majority of rural rental units, 87 percent, are unsubsidized units. Thus, for rural households, the loss of these units has been particularly problematic. There is a huge disparity between the number of low-income rental households and the number of available affordable unsubsidized units, particularly for very low- and extremely low-income households. In 1995, there were only 34 affordable unsubsidized rental units for every 100 extremely low- and very low-income rural renter households (Figure 6).

Of the 9 million occupied rural rental units, only 1.2 million (13 percent) are federally subsidized. Among these, 622,000 (52 percent) are public housing units, 145,000 (12 percent) are units with tenant based assistance, and the remaining 407,000 (34 percent) are units receiving some other type of federal housing subsidy. This is a 22 percent increase in the total number of subsidized units since 1985. Although this is a significant increase in the stock of affordable rental housing, the number of federally subsidized rental units would have to nearly double in order to meet the level of rural worst case housing needs.

Figure 6. Affordable Rental Supply



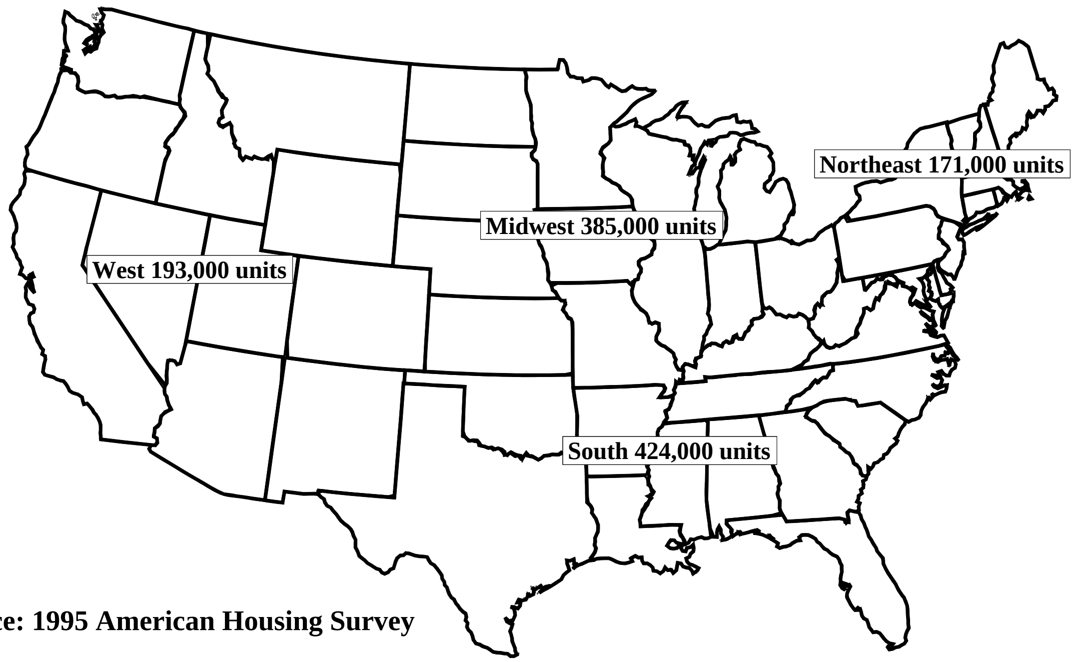
The location of rural subsidized units has been somewhat concentrated, given local needs. Regionally, the South has the most federally subsidized rural rental units (35 percent) (Map 2). Despite the resources that have been allocated to this region, the South continues to have the highest number of worst case needs occurrences in the nation at 413,000 households. It is evident that the needs of this region far exceed the available resources.

Map 2
Federally Subsidized Rural Rental Housing Units
by region

[9] Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 1999,* Joint Center: Cambridge, Mass., 1999.

The limited supply of affordable rental housing units contributes to the problem of crowded living conditions for many rural families.[10] Crowding is widespread in rural areas, with many families doubling and tripling up in order to reduce their rent burdens. One roundtable participant commented that in some parts of the Southeast it is common to find two or three families sharing an old, dilapidated mobile home or doubling up with family or friends. One California participant said that while many large families in rural towns are living in studios and one-bedroom apartments, it has been difficult to get city councils to look into the prevalence of crowding.

Nationally, over 600,000 rural households live in crowded units. This is a greater concern for



Source: 1995 American Housing Survey

rural renters than rural homeowners. In 1991, 4 percent of rural renter households were crowded, whereas only 1 percent of rural homeowner households were. In 1995, crowding had dropped to 3.7 percent for rural renters and increased to 1.3 percent for rural homeowners.

[10] A housing unit is crowded when there is more than one person per room.

RURAL RENTAL HOUSING AFFORDABILITY

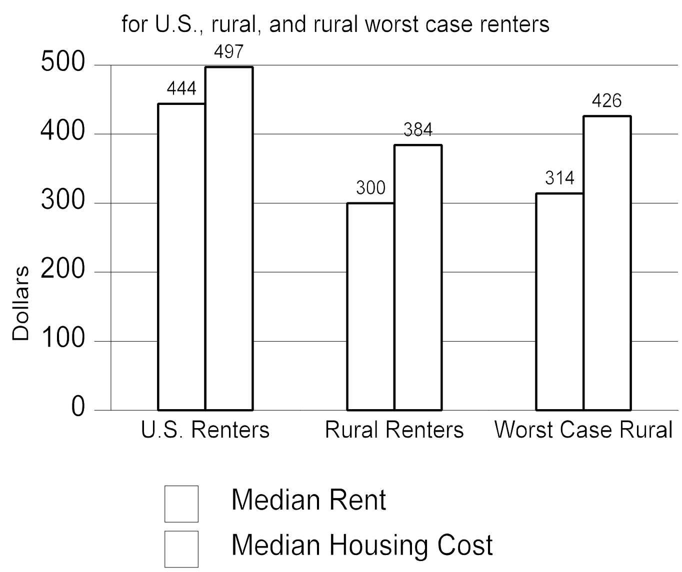
"*Minimum wage is not a housing wage . . . . You can't get market housing for one or even two minimum wage earners. [There is] a substantial gap for a lot of Americans.*"

For many years, substandard housing has been the predominant rural housing problem. Although dilapidated housing remains a concern for many rural households, participants at each of the HAC-facilitated roundtables agreed that housing cost burden is a growing and very serious problem in rural America.[11] Over three quarters (78 percent) of all rural worst case needs households report that severe housing cost burden is their only housing problem**.**

Rural residents are having increasing difficulty paying their housing costs, and roundtable participants all referred to the demand for affordable rental units in rural areas as reaching "crisis proportions." One participant noted that over 63,000 rural residents in his Midwestern state pay more than half their income each month for housing. AHS data show that this statewide figure is comparable to national rates of rural housing cost burden. Overall, 22 percent of all rural households are cost burdened. However, cost burden affects a larger proportion of rural renter households than rural homeowner households, 33 percent and 18 percent, respectively.

One-third of all rural renters are cost burdened, despite the low rental and housing costs in rural America. The median contract rent for all U.S. renters is $440 per month compared to $300 for rural renters. While the median contract rent for rural worst case households ($315) is significantly lower than the overall U.S. median, it is actually higher than the overall rural median rent (Figure 7). Total housing costs follow a similar pattern.[12] The median housing cost for rural renters is almost $100 less than the national median. However, the median housing

Figure 7. Median Rent & Housing Cost



[11] Cost burden refers to those households paying more than 30 percent of their income for housing costs. See Appendix A for a complete discussion of cost burden.

[12] Housing costs include mortgage payments, taxes, rent, and utilities. Housing cost figures are used to calculate housing cost burden and determine worst case needs.

cost for worst case rural renters is $42 higher than the rural renter median and only $71 less than the national median.[13]

The high rate of housing cost burden among rural renters is directly related to their low incomes. The booming economy of the last few years has not closed the gap between income and housing costs for many rural Americans. Rural renters, particularly, have low incomes. The median income for rural renters is $18,000, compared to $28,000 for all rural households. Sixty-one percent of all rural renters are low-income, compared to 35 percent of all rural homeowners.

Incomes are so low among rural households, and rental households particularly, that many fall below the poverty line.[14] Poverty is prevalent among rural renters; 27 percent of all rural renters live in poverty, compared to 15.1 percent of all rural households (Table 3). While rural renters account for only 24 percent of the total households, they account for 42 percent of all rural households in poverty.

Table 3
Rural Poverty and Housing Cost Burden

Rural Households with a Poverty Level Income	5,622,000 **(15.1%)**
Rural Rental Households with Poverty Level Income	2,411,000 **(27%)**
Rural Households Paying More than 30% of Income for Housing	8,167,000 **(22%)**
Rural Rental Households Paying more than 30% for Housing	1,969,000 **(33%)**

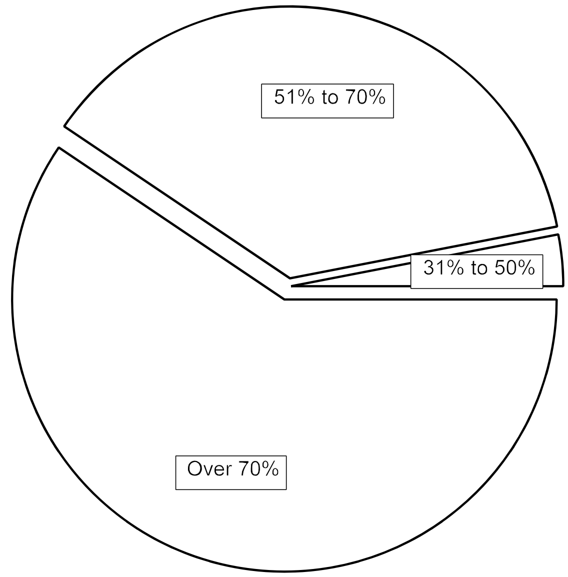
[13] It is possible that rural worst case renters may live in higher cost areas and therefore pay more for rent and other housing costs. HAC has not analyzed geographic data regarding these higher housing costs, and thus cannot empirically explain this trend.

[14] The poverty line refers to the minimum income needed by a family or individual to meet basic needs of food, shelter, clothing, and other essential items as determined by the federal government. In 1996, the Census Bureau determined the poverty line to be $15,911 for a family of two adults and two children, $10,815 for a family of one adult and one child, and $8,613 for a single adult.

Housing cost burden is only one indicator of worst case needs. However, for rural worst case needs households, cost burden is particularly intense. Over 60 percent of these households are severely cost burdened, paying more than 70 percent of their income for housing costs. Less than 10 percent of rural worst case needs households are moderately cost burdened, paying from 31 to 50 percent of their income for housing (Figure 8).

Figure 8. Cost Burden for Worst Case Needs Households

for housing costs as a percent of income



RURAL RENTAL HOUSING QUALITY

"Living in a good environment where hope could flourish is the most significant contribution of affordable rental housing . . ."

According to one roundtable panelist, finding affordable rental housing often means settling for a unit that is in serious disrepair. Substandard housing has long been an issue of great concern for rural residents and affordable housing providers. Leaking roofs, inadequate heating systems, and peeling paint that is often lead-based are all too common housing problems in many rural communities. By all estimates, the quality of rural housing has improved in recent years. There are still a tremendous number of rural housing units that are need of repair or rehabilitation, however.

AHS classifies inadequate units as those having moderate to severe housing problems.[15] Currently 2.6 million rural homes are either moderately or severely inadequate; 932,000 (35 percent) of these inadequate units are rental housing. This is much higher than the rental housing proportion of the total occupied rural housing stock, 24 percent. Ten percent of all rural renter households live in moderately or severely inadequate housing, compared to 6 percent of rural homeowner households (Table 4).

Table 4
Rural Housing Quality

Total Owner-Occupied Units	28,222,000
% Inadequate Owner-Occupied Housing Units	6%
Total Rental Units	8,956,000
% Inadequate Rental Units	10%

Rural rental units generally have more quality problems than do urban or suburban rental units. Among the 932,000 rural rental units with physical problems, the most common problems include:

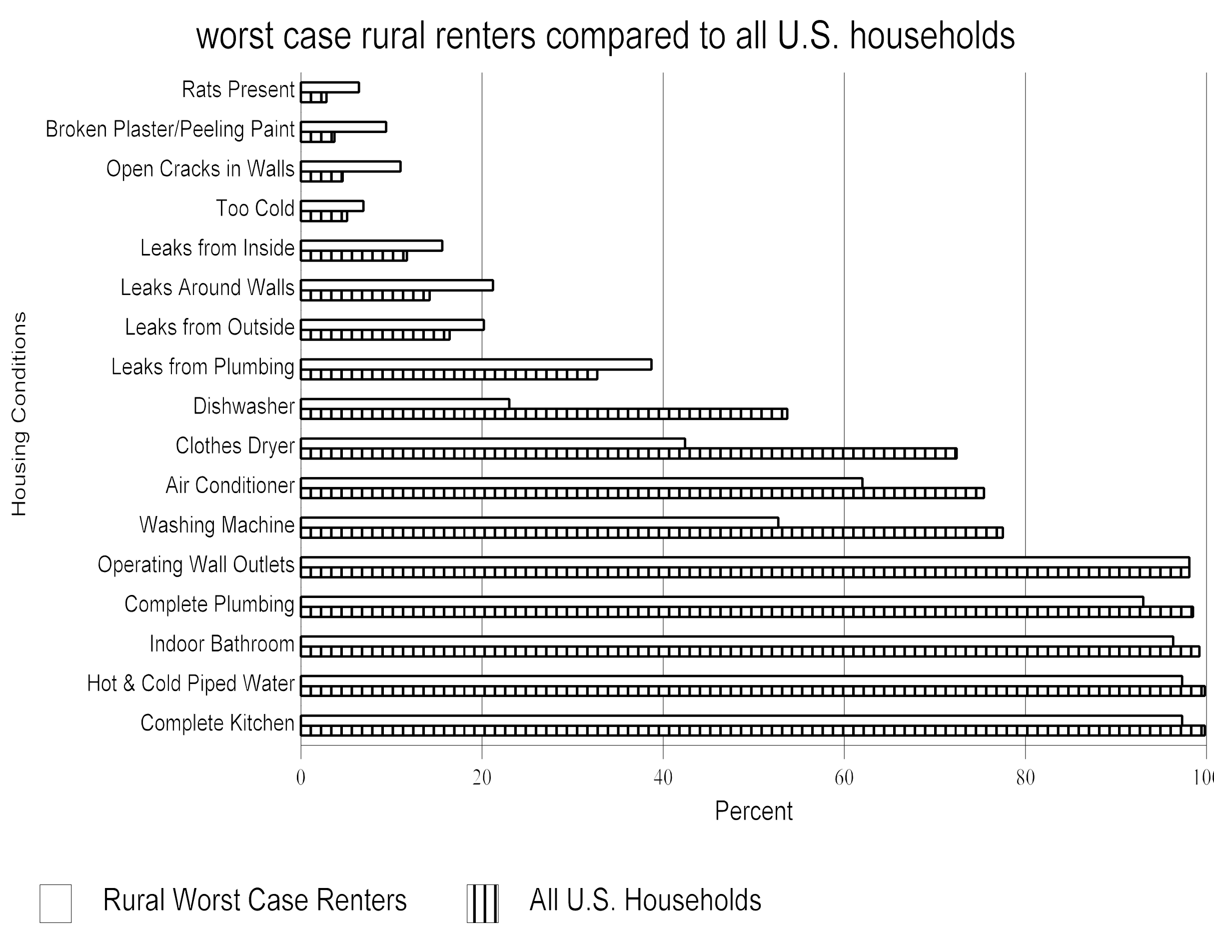
- leaking walls, ceilings, or plumbing;
- open cracks in walls; and
- relying on electric or portable heaters as a primary source of heat.

Rural households experiencing worst case needs are more likely to live in inadequate units than households nationally. Overall, 19 percent of rural worst case renters live in housing that is at least moderately inadequate, and 10 percent live in severely inadequate housing. As Figure 9 shows, rural worst case renters experience physical problems such as cracks in walls, rats, and leaks, much more often than these are experienced nationally. These households are also much less likely to have access to necessities, such as complete plumbing systems, and amenities, such as washing machines. Housing conditions are also more extreme for worst case renters than they are for rural renters in general. For example, while only 1 percent of rural renters lack a complete bathroom, almost 4 percent of all rural worst case households do.

[15] See Appendix A for a complete discussion of substandard housing.

Using housing codes to address these structural deficiencies was discussed at the Kansas City roundtable. Code enforcement would allow rural municipalities to require landlords to correct these problems, thus creating a decent, safe living environment for rural renters. It was noted that many rural towns have limited housing codes, if any at all. And, participants agreed that most small, rural townships have budget constraints that make code enforcement fiscally impossible.

Figure 9. Housing Conditions



FEDERAL RENTAL ASSISTANCE PROGRAMS

"If we don't do a good job with rural rental housing, there will be a lot more people homeless."

For the millions of rural renters with very low incomes and suffering from extreme cost burden, rental assistance, which subsidizes their housing costs, is a vital resource. For one million of these households, however, federal aid to ease housing affordability concerns has not been available. For these worst case households, the search for decent and affordable rental housing is a frustrating one.

The U.S. Department of Agriculture's (USDA) Rural Housing Service (RHS) has been the primary provider of housing assistance to farmers and rural communities since 1949. The major rental assistance program offered by the USDA, Section 521, is a project-based rental assistance program. Rural renters can also receive assistance from the Department of Housing and Urban Development (HUD) through its Section 8 program.[16] Funding for both of these programs has not kept pace with the increasing demand from low-income renter households. For rural areas, this has been particularly problematic, as they have generally received less funding for rental programs than urban areas.[17]

Section 521

Program Description

Section 521, Rental Assistance (RA), is a project-based assistance program used in conjunction with the Section 515 and Section 514/516 programs. Project owners sign a five-year contract with RHS, which subsidizes the rental unit for occupancy by low-income tenants.[18] The agency then makes payments on behalf of the tenant to lower housing costs. Subsidies under the Rural Rental Assistance Program are equal to the difference between 30 percent of the tenant's monthly income and the tenant's monthly housing expenses. This subsidy is attached to the unit, not to the tenant. Thus, if and when the tenant moves, they leave the subsidy with the unit.

The demographic make up of RA households is almost identical to that of the rural worst case needs population. Almost 90 percent of the households using RA are very low-income. According to the USDA's 1999 data, the average adjusted income for tenants receiving RA is $7,300. RA provides about $180 of support for these households each month. Almost one quarter of RA recipients are minorities. Three quarters of all RA recipients are single female or female-headed households, and 12 percent are either handicapped or disabled. Elderly households receive over 40 percent of all RA.[19]

Issues and Concerns

Roundtable participants noted how the demand for decent, affordable rental housing is evidenced in the crush of applicants for assisted rental units. Some housing sponsors have had to resort to lotteries when they open new apartment complexes, with one group receiving 1,200

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[16] The researchers acknowledge that there are many state-run rental assistance programs. However, the roundtable discussions focused on the use of RA and Section 8 in rural areas.

[17] James Mikesell, "Federal Housing Assistance Promotes Homeownership," in *Rural Conditions and Trends*, Vol. 9, No. 1, 1998.

[18] The five-year agreement may be renewed as many times as funds are available.

[19] USDA News Release No. 0434.98, July 31, 1998.

applications for a 35-unit project. Another housing sponsor observed that between 800 and 1,000 people typically show up when a new 50-unit project has been completed. In another case, an organization sponsoring an informational meeting on rental housing cooperatives expected no more than 20 local residents to attend. The group was overwhelmed when over 50 people came to the meeting.

RHS is aware of the incredible level of demand for Section 521 assistance. According to the agency's calculations, there are over 90,000 rural households in need of rental assistance. The agency also estimates that approximately 88 percent of the 200,000 applicants on the current waiting lists for RHS-financed apartments will require rental assistance when and if they can be accommodated in these units. Although this estimate acknowledges a need to add over 250,000 new Section 521 slots, it is well below the HAC calculation of 1 million rural worst case households in need of assistance.

Panelists identified additional demands that may be placed on the RA program, as well as several important trends. Roundtable participants commented that welfare reform may place additional burdens on the RA program. A Kansas City panelist commented that as clients begin to hit their time limits, there will be a need to increase rental assistance payments if incomes decrease. Despite this possibility, it has been difficult to communicate the important link between welfare reform and housing and the need for additional RA resources to members of Congress.[20]

Rural Development staff at each of the sessions suggested that there will be an emphasis on renewing existing rental assistance contracts. As Table 5 shows, without a significant new commitment to RA, RHS anticipates that an increasing proportion of RA resources will have to be allocated to contract renewals and servicing, as opposed to new construction.[21] Given this projected use of funds, the likelihood that the one million worst case needs households will receive RA is limited. Every current Section 521 recipient would have to move out of his/her subsidized unit, in order for a small percentage of rural worst case households to gain access to this subsidy.

The reduced emphasis on new construction presents a problem for future affordable rental housing development. RA is an important component of most rural rental housing developments. Roundtable participants agreed that deep subsidy is necessary if rural rental projects are going to be affordable to the poorest of the poor. This assertion was made not only by nonprofit housing developers and low-income housing advocates, but also by the bankers, government agency staff, and for-profit developers at the roundtables.

Table 5
Section 521
Projected Use of Estimated Funding[22]

[20] For a more detailed discussion of the connection between housing and welfare reform, see Housing Assistance Council, *Rural Housing and Welfare Reform: HAC's 1997 Report on the State of the Nation's Rural Housing*, HAC: Washington, D.C., 1997.

[21] For a more detailed discussion see Christopher Holden and Art Collings, "Section 515 Cuts and a Looming Rental Assistance Crisis: Fewer Options for the Poorest of the Rural Poor," *Rural Voices*, Winter 1997-98, Vol. 3, No. 2.

[22] This table, which was constructed by the National Rural Housing Foundation using RHS data, reflects the projected long term use of RA funds. The total units assisted are the units that will need to be renewed and the projected number of new construction units the program would be able to support, given the estimated allocation. These numbers reflect RHS estimates from the mid-1990s and no longer reflect current estimated allocation numbers, given recent cuts to the program.

Fiscal Year	Total Units Assisted		Estimated Amount of Allocation
	Renewals, Servicing, Etc.	New Construction	
FY01	48,366	2,687	$724,734,000
FY02	43,924	2,617	$736,290,000
FY03	41,984	2,548	$723,438,000
FY04	47,246	2,480	$830,410,000
FY05	52,407	2,416	$940,949,000
FY06	50,870	2,352	$937,655,000

Source: National Rural Housing Foundation, 1998

Section 8

Program Description

The Section 8 rental voucher and certificate programs are the federal government's primary programs for assisting very low-income households to rent decent, affordable housing in the private market. Section 8 is a tenant-based subsidy administered by HUD through local housing authorities (HAs). Participating households locate housing that meets program health and safety requirements, and for the certificate program, meets a pre-determined rent cap. The HA, using HUD funds, then pays a rental subsidy directly to the landlord on behalf of the participating household.

Under the rental certificate program, a family pays 30 percent of its adjusted monthly income for housing costs. Rent for units occupied by Section 8 certificate holders cannot exceed a maximum limit set by the local HA. The certificate payment makes up the difference between the HUD-determined Fair Market Rent (FMR)[23] for the unit and the tenant's contribution. The voucher program differs in that the qualifying family is not limited by the maximum rent cap. The HA will subsidize a set amount of rent based on a payment standard determined by the HA. As part of its 1994 housing legislation, HUD proposed to merge the certificate and voucher programs, essentially eliminating the certificate program. This merger occurred in October 1999.

Issues and Concerns

Waiting lists for the Section 8 program are notoriously long. The average waiting time for a voucher increased from 26 months in 1996 to 28 months in 1998. Not only has the time on waiting lists increased, the number of families on waiting lists has increased as well, typically by 10 to 25 percent. The recent HUD study, *Waiting in Vain*, examined 40 waiting lists across the nation and found that there are almost 1 million households waiting for assistance, with an average of almost 25,000 households on each list.[24] Housing authorities are allowed to close these lists when demand for Section 8 greatly exceeds the available resources.

Local and state housing authorities may establish their own preferences for administering Section 8 waiting lists. Priority is often given to homeless individuals and families, displaced households, those living in substandard housing, and those paying more than 50 percent of their income for housing costs. None of the roundtable participants had seen housing authorities establish preferences for people from rural areas, or for significant rural population groups like farmworkers. As of 1989, less than 20 percent of households receiving Section 8 assistance lived in nonmetro areas.

Several other important observations were made by the roundtable panelists. A Washington roundtable panelist noted that Section 8 "vouchers do not stick." Unlike the RHS Section 521 program, if the tenant moves out of the project, the next tenant moving in will not necessarily have rental assistance available. This makes it hard for project owners, particularly nonprofit groups, to maintain cash flow and make their mortgage payments.

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[23] Fair Market Rent is a gross rent estimate determined by HUD to assure that a sufficient supply of rental housing is available to program participants. This figure, which is calculated for all counties, includes rent and the cost of utilities, except telephone. For a more detailed discussion of how FMR is calculated or to view FMR for each county see Department of Housing and Urban Development, "Fair Market Rents for the Section 8 Housing Assistance Payments Program – Fiscal Year 1999," 63 Fed. Reg. 52858 (October 1, 1998) or http://www.huduser/datasets/fmr.html.

[24] U.S. Department of Housing and Urban Development, *Waiting in Vain: An Update on America's Rental Housing Crisis,* HUD: Washington, D.C., 1999. This report is an examination of waiting lists of large, urban housing authorities.

Many panelists agreed that the success of vouchers and certificates in rural housing is often limited by a lack of affordable rental housing. There are few private rental units that meet HUD housing quality standards and rent for less than the FMR or the payment standard[25] in many small rural towns. Section 8 recipients who live in rural towns with limited rental markets may not be able to use their vouchers locally. Many recipients have been forced to relocate to find places where they can use their vouchers. Some of the panelists observed a definite pattern in their areas where people are being pushed out of small rural towns and into larger regional population centers in search of affordable housing. A Kansas City panelist also observed that many rural landlords are reluctant to accept Section 8.

A disagreement over rental assistance issues surfaced in the San Francisco roundtable. One participant felt that targeting Section 8 voucher use to tax credit projects (see LIHTC section below) was a "double subsidy," which produced no net gain in affordable units for low-income rural residents. Encouraging Section 8 voucher holders to live in these projects "takes these units away" from other low-income households. Voucher holders can receive the same level of housing assistance to rent privately owned apartments, leaving the tax credit units for those not receiving other subsidies. Another panelist disagreed with this point, stating that without the additional subsidy it would be difficult for many lower income families to afford tax credit units. Further, in many rural areas there are not enough private rental units charging less than the FMR and meeting HUD's housing quality standards. In these small rural communities, a new tax credit project is often the only opportunity for people to use their vouchers.

[25] The voucher subsidy is the difference between 30 percent of the resident's income and payment standard determined by HUD.

FEDERAL PROJECT-BASED and DEVELOPMENT FINANCE PROGRAMS

"Section 8 can't help if there's no housing."

Roundtable participants discussed the many challenges to developing affordable rental housing in rural areas. Remote locations and dispersed populations make it much more difficult to develop affordable rental housing for low-income households. It is also often difficult to find bankers who are willing to meet with developers in remote locations. When and if financing can be obtained, smaller projects often cannot benefit from economies of scale, and therefore have higher costs per unit.

Roundtable participants also agreed that Not-In-My-Back-Yard (NIMBY) sentiments hinder development of affordable rental housing in many rural towns. Project proposals for groups with special housing needs, especially migrant and seasonal farmworkers and people experiencing homelessness, regularly encounter strong opposition from local residents. Battling local fears and prejudice, it was noted, adds substantially to the cost of developing affordable rental housing, and in many cases derails very good projects that would have filled an important housing gap.

Federal programs have been used to provide incentives for developers to overcome some of the difficulties associated with rental housing development in rural areas. Section 515, Section 538, and Low Income Housing Tax Credits (LIHTC) are programs that have been used by affordable housing developers to increase the stock of affordable rural rental housing units.[26] Utilizing these resources has become more difficult, however, given recent budget cuts and the increased complexity of administering these programs.

Section 515

Program Description

The Section 515 Rural Rental Housing program of the Rural Housing Service (RHS) is a direct mortgage loan program that provides capital financing to develop rental housing for very low-, low-, and moderate-income tenants. Under this program, RHS makes loans to nonprofit (for 100 percent of the total costs) and for-profit (for up to 95 percent of costs) developers to build rural rental housing. Section 515 financed housing is affordable to the lowest income households because these loans are for long terms (30 years, amortized for 50 years), carry a basic interest rate of only 1 percent, and can be combined with deep subsidy rental assistance. The 1 percent loan enables the debt service on the property to be sufficiently low to support below-market rents affordable to low-income tenants.

[26] The researchers acknowledge that there are many state-run rental housing development financing programs. However, Sections 515, 538, and Low Income Housing Tax Credits were the focus of these roundtable discussions.

Section 515 funds are allocated to each state using a formula to determine need. RHS publishes a Notice of Fund Availability (NOFA) in the *Federal Register* and individual loan requests are ranked competitively.

Section 515 can be used to finance several different types of housing, including:

- family housing,
- elderly housing,
- mixed-use housing,
- congregate housing,
- group homes, and
- cooperative housing.

The Section 515 program, when combined with Rental Assistance, is structured to serve the lowest income rural households with RA. Over 87 percent of those living in Section 515 housing have very low incomes, 10 percent are low-income, and less than 1 percent have moderate incomes. The average Section 515 tenant has an adjusted income of less than $7,300.[27]

In its 30-year history, Section 515 has produced over 514,000 housing units. There is still, however, a tremendous unmet need for Section 515 program funds. According to National Rural Housing Foundation assessments, there had been a backlog of more than $1 billion in loan requests that were determined to be both eligible and feasible. Also, over 200,000 families were on the waiting lists for the 20,000 units that will become available through tenant turnover in existing Section 515 complexes.[28]

Issues and Concerns

The most troubling concern for affordable housing providers and developers has been the unabated cut in funding to the Section 515 program. In its effort to balance the federal budget, Congress began cutting the RHS budget in 1993. The federal allocation to Section 515 was dramatically slashed in the following years: from $540 million in FY 94 to $220 million in FY 95, a 60 percent cut. In FY 98, the program was appropriated $125 million (one-ninth of the amount it received in 1983 when the budget was $950 million). These reductions obviously result in fewer units produced, and consequently a greater number of rural people without access to decent, affordable rental housing (Figures 10 and 11).

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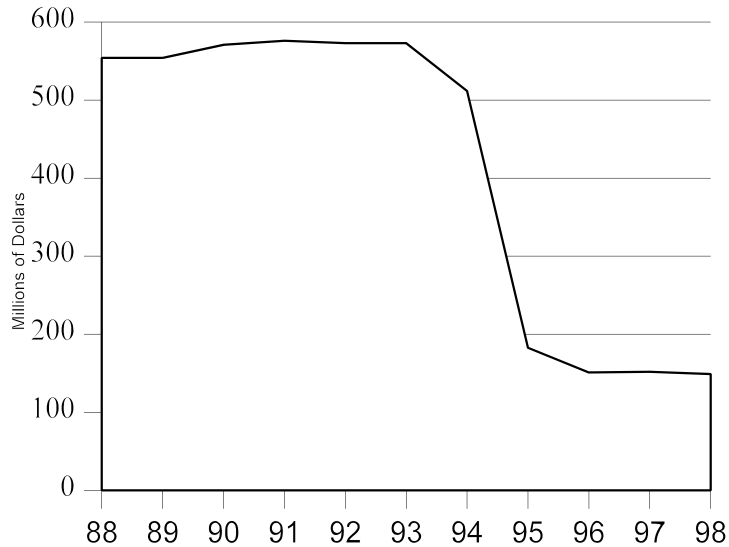
[27] USDA News Release No. 0434.98, July 31, 1998.

[28] National Rural Housing Foundation, *Delivery Systems for Affordable Rural Housing Finance*, NRHF: Washington, D.C., 1995. Now that Section 515 applications must compete in the NOFA process, there is no longer this backlog of demand in applications.

Figure 10. RHS Section 515 Program

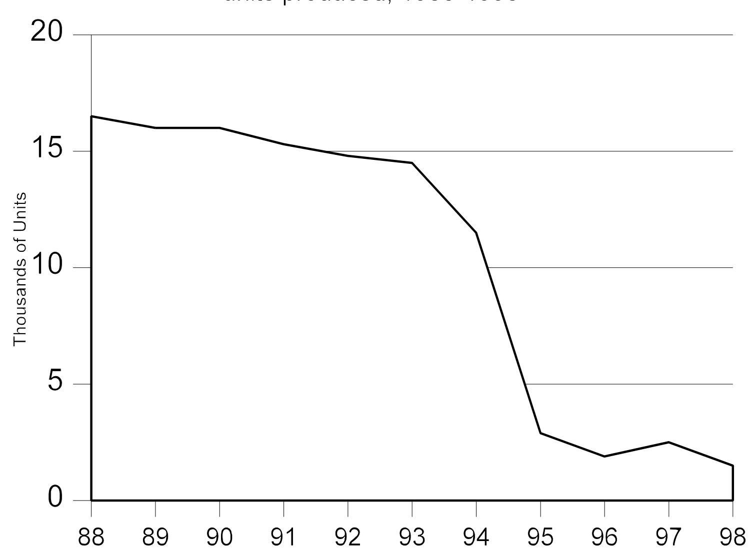
funding levels, 1988-1998



Source: RHS Data

Figure 11. RHS Section 515 Program

units produced, 1988-1998



Source: RHS Data

Section 515 funding cuts have been felt by rural affordable housing providers in many ways. Housing developers participating in the roundtables recalled a time when the subsidized loans and rental assistance would allow them to build rental projects affordable for people with extremely and very low incomes without having to seek other subsidy sources. As the program budget has shrunk, RHS has encouraged applicants to leverage additional sources of financing in order to stretch program dollars further. This has added to the cost of putting financing packages together, especially for nonprofit organizations already challenged to find operating funds (see Leveraging section below).

One San Francisco participant felt that the limited funding available for new Section 515 construction discourages applicants from seeking program funds. In California, only three or four new construction project applications were submitted for 1999. Other San Francisco panelists agreed that many developers, particularly nonprofit housing sponsors, will not commit the substantial time and resources necessary to produce a good application for funding that is just not there. A lack of applications from a specific state, participants agreed, is not a reflection of a lack of program demand. Rural Development staff at each of the roundtable sessions expressed their concern that the agency is not able to fund all of the worthy project proposals submitted each year. A few years ago, Section 515 was an $800 million program, whereas in FY 99 it had $120 million. Agency staff observed that it is not likely that demand for affordable rental units dropped off that quickly.

At least one person at each roundtable observed the Section 515 program's shift away from new construction to portfolio maintenance needs. Each panel agreed that there is not enough funding to meet all the needs for upgrade and rehabilitation of older properties. The Section 515 portfolio is aging and as a result, rehabilitation and servicing problems are increasing. One Kansas City participant observed that demand for rehabilitation assistance in some Midwestern states has exceeded RHS's ability to fund more than a few applications for any given state. In Missouri, only three out of eight rehabilitation applications were funded in FY 99, according to a roundtable participant. Other panelists also observed that program funds not only pay for the new rental housing construction in rural communities, they are also used to maintain and repair older projects and provide incentives to keep private Section 515 owners participating in the program (see Prepayment and Preservation section below). Lower funding levels are just not able to adequately meet any one of these needs, let alone all of them.

Section 538

Program Description

The Multifamily Rural Rental Guarantee Loan program, Section 538, was designed to meet the needs of low- and moderate-income rural residents not being served by the Section 515 program. Section 538 guarantees loans made by certified private lenders for affordable multifamily rental housing. RHS guarantees the lender's loan up to 90 percent of the total development cost and commits to pay up to 90 percent of the outstanding principal and interest in the event of a default on the loan.

Demand for Section 538 financing has been strong in the program's three-year history. Since the program's inception, $148 million in loans have been guaranteed to develop new rental housing. In 1997, Section 538 guaranteed $28.1 million for 16 loans in 12 states to build a total of 813 new affordable rental units.[29] An additional $51.8 million in outside funds has been leveraged by these RHS loans. Rents for Section 538 units range from $347 to $660, with $447 as the average.[30] Section 521 Rental Assistance is not used in conjunction with the Section 538

[29] USDA News Release, October 20, 1998.

[30] National Rural Housing Foundation, *Creative Financing for Rural Multifamily Housing*, NRHF: Washington, D.C., April 1998.

program.

Issues and Concerns

All three roundtable panels noted the growing federal emphasis on guaranteed loans in lieu of more funding for the direct loan programs. As Table 6 shows, the Section 515 program was cut by 24 percent from FY 98 to FY 99. At the same time, the Section 538 allocation is five times higher in FY 99 than the FY 98 allocation.

This emphasis on Section 538 is significant as this program is not structured to serve households with the lowest incomes. Given the rental costs of Section 538 units and the lack of rental assistance, it is evident that Section 538 rental units will not be affordable for extremely low- and very low-income households. Each panel agreed that guaranteed loan programs are attractive from a budgeting standpoint, but that without some additional form of deep subsidy, such as rental assistance, these programs do not have the financing mechanisms that allow rental housing development affordable to rural households with extremely low and very low incomes.

Table 6
Section 515 and Section 538 Federal Allocation (in millions)
FY 98-99

	FY 98	**FY 99**
Section 515	$150	$114.3
Section 538	20	100

Source: RHS Data

Low Income Housing Tax Credit

Program Description

The Low Income Housing Tax Credit (LIHTC) program was established by the 1986 Tax Reform Act to encourage private investment in the development of affordable rental housing. Under this program, each state is currently allocated a tax credit of $1.25 per state resident by the Internal Revenue Service (IRS). The state Housing Finance Agencies (HFAs) and the IRS jointly administer the credits, which are awarded to developers of affordable housing projects who in turn offer these credits to investors. The owners of the credits obtain a dollar for dollar reduction in their federal tax liability in exchange for their investment in affordable housing projects. The tax credits are written off in equal installments over a 10-year period.

In order to receive tax credits, a development must adhere to the following minimum requirements:

- 20 percent or more of the units must be rent restricted and occupied by individuals whose income is 50 percent or less of the area median income, or 40 percent or more of the units in the project must be both rent restricted and occupied by individuals whose income is 60 percent or less of area median income;
- the set-asides for low-income residents must remain in effect for 15 years; and
- rents charged by developers can be no more than 30 percent of the income ceiling.[31]

Between 1986 and 1996, approximately 600,000 rental units for low-income households were produced using LIHTC-backed dollars.[32] As of 1996, a total of 827,000 affordable rental units had been developed and over $12 billion in private investments had been made as a result of the tax credit program. LIHTC can be used to fund new construction, rehabilitation, or acquisition projects. The majority of projects developed with LIHTC-backed dollars have been new construction, multifamily developments. A recent Government Accounting Office (GAO) report found that the average LIHTC project developed between 1992 and 1994 had 43 units, and 73 percent were new construction.[33]

LIHTC has been an extremely popular program and demand for the limited credits available has been overwhelming. The total amount of available tax credits has risen each year since the program's inception. In each of the last four years, 95 percent or more of the total credits allocated have been used. For example, in 1997, of the $387.3 million available in credit, $382.9 million, approximately 99 percent of the allocated credits, were used to finance the development of affordable rental housing. In this same year, total demand for LIHTC far exceeded the available supply. Requests for LIHTC totaled $1.09 billion, almost three times the $387 million

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[31] Owners can choose to set aside either 20 percent of the units for households at or below 50 percent of the area median income or 40 percent for households with incomes below 60 percent of the area median income. The income ceiling refers to the fact that rents in qualifying units are limited to 30 percent of the elected 50 or 60 percent of the area media income.

[32] Jeremy Citro, *Low-Income Housing Tax Credits: Helping Meet the Demand for Affordable Rental Housing*, AARP: Washington, D.C., January 1999.

[33] U.S. General Accounting Office, *Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program,* Washington, D.C., March 1997.

in credit that was available.[34]

Although most LIHTC projects are developed in central cities, rural areas have been able to access this resource. From 1992 to 1994, almost 30 percent of all LIHTC projects and 20 percent of all affordable units developed using the credits were in nonmetro areas. In 1996, approximately 24 percent of all LIHTCs went to nonmetro areas.[35]

Issues and Concerns

LIHTC is a popular and successful program by most accounts. However, the value of the credit has not been adjusted since the program's inception to match the rate of inflation. While the credit cap has remained fixed since 1986, the cost of developing affordable rental housing has increased enormously. Thus, the purchasing power of $1.25 credit per person simply does not go as far in 1999 as it did in 1986. There are proposals in Congress to increase the credit cap to $1.75 per state resident in order to restore the value of the tax credit.

Panelists in each of the roundtables mentioned LIHTC as the most substantial source of affordable housing development funds. Each group also agreed that without additional subsidy from such sources as rental assistance, tax credits cannot produce units with rents low enough to be affordable to extremely low-income households. A 1997 GAO report estimates that almost two-fifths of LIHTC households receive some form of additional rental assistance that allows them to afford their units. The average income of these households is 25 percent of the area median, compared with 45 percent of the median for renters of tax credit units that do not also receive a rental subsidy.[36]

Panelists also noted that in order to be successful, LIHTC projects require deep subsidies from other development sources. According to one roundtable panelist, "Because rural areas have lower median incomes, the Housing Finance Agency has to provide [a] larger deferred loan to make tax credits work there. [They] have to provide special incentives to make [the credits] work in rural areas." This need to offer incentives to leverage additional resources to build affordable rental housing is a defining component of the rural development process.

Leveraging

As development projects have become increasingly expensive, the need to leverage additional dollars to build affordable housing projects is vital. It was noted by panelists that in 1998, 73 cents was leveraged for every Section 515 dollar committed to projects. For example, every Section 515 dollar in Iowa projects leveraged eight dollars from other funding sources. Potential funders view Section 515 financing as an important investment in low-income housing, and therefore are more comfortable making investments themselves.

The benefits of leveraging were discussed during the roundtables. A number of panelists observed that leveraging allows federal programs with deep subsidy, like Section 515, to support more projects. Rural Development staff added that leveraging facilitated the development of 1,300 more units than would have been possible using Section 515 alone. If local lenders are

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[34] Citro, 1999.

[35] U.S. Department of Housing and Urban Development, *Development and Analysis of the National Low-Income Housing Tax Credit Database*, Washington, D.C., July 1996.

[36] U.S. General Accounting Office, *Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program, Report 97-55*, Washington, D.C., March 1997. HAC will be conducting research on the use and preservation of LIHTC projects in rural areas in FY 2000.

involved in project financing, it also increases the community's "investment" in a project, potentially reducing NIMBY sentiments that often mar the development process. Additional funders also help to spread the risk in cases where projects cannot be completed or if a project sponsor has mortgage difficulties.

While it is a necessary function, leveraging also makes the development process more complex for rural developers. Each group reached consensus that every layer of financing adds different requirements and monitoring criteria. Each layer of financing also increases development and operating costs. Panelists of all three groups also agreed that many rural nonprofit housing organizations need to increase their development capacity in order to effectively leverage funds. The groups agreed that the need for leveraging is forcing less sophisticated developers to use some of the most sophisticated financing mechanisms. This was particularly noted in regard to using LIHTC or state tax credit programs. Tax credits require more use of consultants and attorneys, and nonprofit inexperience using tax credits can mean that the project sponsors are not able to evaluate the soundness of consultant recommendations. It was also generally agreed that one of leveraging's complications is having to work with different program funding cycles. Since every funder wants to see other sources already committed to a project, sponsors often have difficulty obtaining early funding commitments. As one panelist remarked, "No one wants to be the first in on a deal."

Preservation and Prepayment

"[The] easy part is building. [The] hard part is once it's built making sure it lives for the long haul."

Affordable units that have been developed using Section 515 funds are being lost at an alarming rate. Section 515 project owners are taking advantage of their ability to prepay their Section 515 loans and free the subsidized projects from the rent restrictions imposed by the program. Once an owner prepays the subsidized mortgage the rents can be raised. According to RHS data, the agency had received 1,274 prepayment applications by November 1998; 631 projects were eventually prepaid and 5,694 affordable housing units were lost.[37] RHS staff and housing providers are working to develop strategies to preserve these affordable housing units.

Panelists discussed the reasons that project owners have given for trying to opt out of Section 515 and other subsidized rental programs. Many of the prepayment requests are coming from aging owners of smaller Section 515 projects. These "mom and pop" owners are looking towards retirement, and many are tired of managing their Section 515 projects. Other reasons for prepayment requests include favorable interest rates and "hot" real estate markets, making it possible to get a good return on the properties. Some owners have cited frustration in dealing with government agencies as a reason for removing their units from the affordable housing stock.

A few panelists felt that subsidized rental projects in active real estate markets were at a high risk of prepayment, since owners would be able to get a higher rent for the property, if the subsidized loan is prepaid. These kinds of markets are characteristic of rural tourist destinations like ski areas or coastal towns, or retirement communities that attract more affluent retirees, or "snow birds." Several roundtable participants said they had noticed that when prepayment programs were announced in particular states, there often followed a wave of requests to opt out of the program. Panelists from the San Francisco roundtable reported that Colorado and Washington were two states noted for a great deal of prepayment activity, with 3,000 prepayment requests per month in Colorado alone in 1998. The year before, there were only about 1,000 requests per

[37] The loss of 631 projects is less than 4 percent of the total Section 515 portfolio and 1.3 percent of the total Section 515 units. However, given the existing need for affordable rental units in rural America, the loss of 5,694 affordable rental units is significant. Data made available by the RHS National Office Multi-Family Housing Prepayment Application Records, November 1998.

month in Colorado.[38] In California, state agencies have identified over 7,000 affordable housing units at risk of prepayment. Other states, like Missouri, have experienced only a few requests to prepay HUD Section 8 new construction projects, and even fewer Section 515 prepayment requests.

Panelists at each of the roundtables told stories about tenants reacting poorly to notices of an owner's intent to prepay a project. In each panel, it was agreed that elderly tenants are most vulnerable to prepayment, and tend to react the most strongly to notices sent by owners. Although stories were shared about owners who made special efforts to inform their tenants through meetings and question and answer sessions, many other panelists shared stories of elderly residents reacting in panic to legal notices they did not understand.

[38] Panelists were referring to units that are in jeopardy of being lost, not projects.

POLICY RECOMMENDATIONS

The roundtable dialogues sparked interesting debate primarily about the Section 515 program. In the course of these discussions, panelists offered several recommendations for streamlining or changing affordable housing programs, and increasing the stock of affordable rental units. While HAC is not endorsing any specific policy suggestions, they are included in the report to encourage further consideration.

Every discussion participant praised the Section 515 program as one of the few funding sources supporting rental housing development in small rural towns. However, participants at all three roundtables agreed that past efforts to increase program funding had not been successful. The three groups all felt that increased congressional funding depends on one of two things. Either the current program needs substantial funding increases and revisions, or Section 515 has to be replaced by an alternative rural rental housing program.

- One Washington roundtable participant noted that it was often difficult to receive firm commitments from other funding sources until they were assured the project would receive a Section 515 award. He suggested that Rural Development might revise the application process for Section 515, and score conditional commitments from other funders as leveraged funds.[39]

- A number of participants in the Washington and San Francisco roundtables felt strongly that leveraged funds had to carry no debt to make Section 515 projects financially feasible and able to serve tenants with very low incomes. They also emphasized that even if a project has no debt service, if there is no rental assistance for the units or another source of operating funds, it is difficult to cover the operating costs on typical Section 515 projects.

- Another issue raised by a number of roundtable panelists was that some of Rural Development's targeting guidelines may hinder Section 515 project development, particularly in smaller rural communities. Rural Development's guidelines, they said, require documentation of at least 250 prospective tenant households in a proposed project's market area.[40] Small towns in areas with dispersed populations may have a real need for a small rental project, but not enough to generate 250 applications from prospective households.

- Several participants thought it would be helpful if it were less difficult for Rural Development to subordinate its Section 515 loans to other funding sources in financing deals. More flexibility in taking a subordinate position would also make it easier to leverage other financing sources for a project with Section 515 funds, making new rental projects a more attractive investment for private lenders and reducing the difficulty of getting large funding commitments from state housing agencies.

- It was also suggested by one panelist that Section 515 be changed to a capital grant program, similar to the very successful Section 202 elderly housing program. A number of points were made about the merits of a rural rental housing capital grant program. Having a capital grant at the beginning of a project would attract greater investment from

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[39] In commenting on a draft of this report, RHS staff indicated that the agency already provides this service. RHS will score funds that have been requested but not committed provided the requested funds will be awarded in time to process the application that same fiscal year.

[40] RHS staff comments on a draft of this report indicate that exceptions to this regulation are often made.

other funders. It would provide more development funding up front for construction costs, and would encourage higher quality of design and construction. Some of the San Francisco panelists felt that the program should also allow the sponsor to receive a developer's fee, which is not done in the Section 202 program. Some of the panelists speaking favorably about the capital grant proposal also felt that the current Section 515 program could be maintained for preservation and maintenance of the existing portfolio. Panelists at each roundtable agreed that rental assistance would still be needed in projects receiving a rural rental housing grant, since even a debt-free project would have to find a source of operating funds in order to serve very low-income households. It would also be difficult to get Congress to support this more costly program.

⌂ Each roundtable included discussions on the merits and limitations of making Section 515 a nonprofit program. Those speaking favorably all felt that if the program was restricted to nonprofit housing developers, a service component should also be attached to the project. Nonprofit organizations have typically served the lowest income families, and because of the public service missions of community-based organizations, they would be committed to keeping units affordable for the long term. A number of panelists in each group pointed out one limitation to this proposal. These panelists felt that for-profit developers are important constituents of the program, and that their contribution would be important to win more support for Section 515 funding.

⌂ Panelists in San Francisco and Washington discussed states' use of annuity funds to subsidize rural rental housing. Annuity funds have been used in both California and Delaware to provide rental assistance for rural projects.

Roundtable participants were extremely concerned about preservation and prepayment issues. Panelists talked at length about ways to preserve the rural rental housing stock and aid residents living in units that may be prepaid.

⌂ In Kansas City, one panelist felt that there needs to be a combination of both "carrots" and "sticks" to entice project owners to keep their units affordable. This panelist described how the Missouri Housing Development Corporation will tell tax credit applicants who have pending prepayment requests that if they want the tax credits for a new project, they should also participate in a preservation deal. Minnesota has a plan for reduced property taxes for owners who do not prepay their projects. Some of the private lenders attending the roundtables also expressed interest in developing lending products that would help nonprofit organizations buy prepaying projects. But these private lenders also expressed reluctance to provide equity loans to for-profit owners as an inducement to keep their units affordable.

⌂ Roundtable participants discussed the issue of giving rental assistance vouchers to tenants displaced by prepayment. Panelists at each roundtable noted that HUD has proposed using "super" vouchers to assist some tenants in prepaid projects, which would allow them to receive assistance whatever the rent level set by the owner. These tenants would therefore be able to stay in place.

⌂ Each roundtable reached consensus that more information needs to be disseminated about preservation issues, and that more targeted technical assistance is needed to help rural nonprofit housing organizations purchase and preserve rural rental projects.

⌂ All roundtable participants strongly agreed that nonprofit acquisition and ownership of prepaying projects would be the best way to meet the preservation challenge. Panelists described how the social commitment and community base of most rural nonprofit housing groups meant that they are likely to keep projects affordable for the long term.

CONCLUSION

There is considerable need among rural renter households, and shrinking resources to address these needs. Over 60 percent of rural rental households are low-income, over 25 percent live in poverty, one-third of all rural renters are cost burdened, and many live in inadequate units. These conditions are aggravated for the 1 million worst case needs households without federal housing assistance. Despite the overwhelming demand for affordable and assisted housing, resources to address the housing needs of rural renters are limited, and in some cases being cut.

Section 515 has been a major development financing tool used by private (nonprofit and for-profit) affordable housing developers to build rural rental housing. In recent years, funding has been cut by more than 60 percent, effectively reducing the future supply of affordable rental housing units. This is problematic, given the incredible reduction in unsubsidized units affordable to the lowest income groups. As Section 515 funding has been cut, funding for Section 538 has been increased. This guaranteed loan program is not structured to provide housing for lower income groups. This is of considerable concern as almost 40 percent of all rural renters are extremely low- and very low-income households. For the millions of low-income rural rental households, this program alone will not solve their housing problems.

Rental assistance programs, including Section 521 and Section 8, are essential resources in the effort to reduce the cost burden suffered by rural renter households. Demand for this assistance, however, has consistently outpaced availability, as evidenced by the extensive waiting lists and the 1 million rural worst case households. The connection between rental assistance and affordable rental housing development adds another layer of demand. Rental assistance will be necessary in order to make projected Section 515 and LIHTC units affordable to the lowest income households. Thus, if development is to continue, as it must, more resources must be made available to increase the amount of subsidy available.

The need to increase funding and attention to rural rental housing issues is reflected in the data, as well as in discussions with experts in the field. It has been difficult to raise interest in rural rental housing issues, however, as affordable housing providers have had to address these concerns in a political environment where rental housing issues are viewed as secondary to those of homeowners. Efforts must be made to assert the importance of rental housing, and increase attention to this housing stock. Most importantly, new rural rental housing programs and funding decisions must take into consideration the make-up and needs of rural renter households.

APPENDICES

APPENDIX A: ABOUT THE DATA

All data presented in this report are Housing Assistance Council (HAC) calculations using microdata from the 1995 AHS, unless otherwise stated.

AHS Data and Sampling Error

The American Housing Survey (AHS) is conducted every two years by the Bureau of the Census for the Department of Housing and Urban Development (HUD). In 1995, interviewers obtained information for a nationwide sample of almost 46,000 housing units occupied year-round. Like any sample, the AHS is subject to errors from sampling and errors from other causes (such as incomplete data and wrong answers). For an extensive discussion of AHS methodology and possible errors, see the appendices to the published American Housing Survey book.[41]

Because of the sampling errors and other possible errors inherent in the AHS, readers are cautioned not to rely on small differences in percentages or numbers presented in this report. The reliability of the data decreases as the sample size decreases. In 1995, the national sample was not quite 46,000 housing units, the rural sample was less than 16,000, and the sample for any given rural population group–households with children or households receiving welfare income, for example–was smaller still.

The AHS is intended to count occupied housing units, and therefore households, so most of the data presented in this report is for households rather than families. (For definitions, see below.) This unit-focused methodology also means that the AHS does not include homeless persons.

AHS data is known to differ from information collected by other surveys. For example, the Census Bureau notes that, historically, the AHS underreports income and overreports poverty when compared with the Current Population Survey, and both surveys underreport income and overreport poverty when compared with tax returns and national income accounts.

Geographic Terms

This report does not use the Census's definition of "rural," which refers specifically to either open country or places with fewer than 2,500 residents. Instead, HAC's definition corresponds to the Census Bureau's "outside urbanized areas" definition. This definition aggregates "other urban" places and Census-defined "rural" places in both metro and nonmetro areas into a definition of rural areas that includes not only open country and towns with less than 2,500 people, but also larger towns, so long as they are outside densely populated areas of 50,000 population.

HAC's definition of rural areas approaches, but is not identical to, the definition used by the Rural Housing Service (RHS) of the U.S. Department of Agriculture (USDA) to determine eligibility for rural housing programs. USDA-defined "rural" areas include open country that is not part of or associated with an urban area. Also included is any town, village, city or place, including a place that is not part of or associated with an urban area but immediately adjacent to a densely settled area, with a population not in excess of 10,000 and rural in character. Such a place may be either in an MSA or in a nonmetro area. In addition, a nonmetro place with a population in excess of 10,000 but not in excess of 20,000 is eligible if it has a serious lack of mortgage credit as determined by the Departments of Agriculture and Housing and Urban Development.

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[41] U.S. Department of Commerce, Bureau of the Census, and U.S. Department of Housing and Urban Development, *American Housing Survey for the United States in 1995,* Current Housing Reports H150/95RV, U.S. Government Printing Office, Washington, D.C., July 1997.

It should be noted that the AHS uses areas defined by the 1980 (not 1990) Census for urban, rural, farm and nonfarm determinations, while AHS metropolitan and nonmetropolitan designations are those defined by the Office of Management and Budget (OMB) as of 1983. This usage has the advantage of being able to measure change over time within constant boundaries, but the disadvantage of being out of date. A small portion of the households classified as rural using the 1995 AHS data probably would have been in urbanized areas if definitions based on 1990 Census data had been used.

This report's information on percent of area median income is based on estimates prepared by HUD for each household in the 1995 AHS sample, provided to HAC by the Harvard Joint Center for Housing Studies. For all places outside of large identified metropolitan areas, including almost all of the area we have defined as rural, HUD's median income estimates are averaged over all places in the same Census region that are in the same climate zone.

Household and Housing Characteristics

The AHS defines a "household" as the group of individuals occupying a housing unit. A "family" consists of a householder and all other persons living in the same household who are related to the householder by blood, marriage, or adoption. A household may consist of a family, no family (i.e., one or more single unrelated individuals), or more than one family. The "householder" (sometimes called the "head of household") is the household member 18 years old or over who is the owner or renter of the sampled housing unit.

Cost Burden

Housing "cost burdens" are generally measured as a percentage of income, on what has become a slowly sliding scale. In the early days of the public housing program, housing costs above 20 percent of income were considered burdensome. During the late 1960s and early 1970s, 25 percent of income became the dividing line. In the early 1980s, the cost burden threshold was raised to 30 percent of income. Since then, the Department of Housing and Urban Development (HUD) has defined moderate cost burdens as those between 30 percent and 50 percent of income, and severe cost burdens as those above 50 percent of income. Percent of income paid for housing is, at best, a rough measure of affordability, but its use has become widespread for several reasons. First, it is relatively simple to grasp and to calculate. Second, 30 percent of income has become the norm that housing subsidy programs require households living in subsidized housing to pay.

Housing Problems

The AHS defines physical housing problems as severe or moderate. A unit has severe physical problems (is severely inadequate) if it has any of the following five problems:

> *Plumbing*. Lacking hot or cold piped water or a flush toilet, or lacking both bathtub and shower, all inside the structure for the exclusive use of the unit.
>
> *Heating*. Having been uncomfortably cold last winter for 24 hours or more because the heating equipment broke down, and it broke down at least three times last winter for at least 6 hours each time.
>
> *Electric*. Having no electricity, or all of the following three electric problems: exposed wiring; a room with no working wall outlet; and three blown fuses or tripped circuit breakers in the last 90 days.
>
> *Upkeep*. Having any five of the following six maintenance problems: water leaks from the outside, such as from the roof, basement, windows, or doors; leaks from

inside structure such as pipes or plumbing fixtures; holes in the floors; holes or open cracks in the walls or ceilings; more than 8 inches by 11 inches of peeling paint or broken plaster; or signs of rats or mice in the last 90 days.

Hallways. Having all of the following four problems in public areas: no working light fixtures; loose or missing steps; loose or missing railings; and no elevator.

A unit has moderate physical problems (is moderately inadequate) if it has any of the following five problems, but none of the severe problems.

Plumbing. On at least three occasions during the last 3 months or while the household was living in the unit if less than 3 months, all the flush toilets were broken down at the same time for 6 hours or more.

Heating. Having unvented gas, oil or kerosene heaters as the primary heating equipment.

Upkeep. Having any three or four of the overall list of six upkeep problems mentioned above under severe physical problems.

Hallways. Having any three of the four hallway problems mentioned above under severe physical problems.

Kitchen. Lacking a kitchen sink, refrigerator, or burners inside the structure for the exclusive use of the unit.[42]

Crowding

A crowded unit is one where there is more than one person per room.

Worst Case Housing Needs

This report uses the same definition of "Worst Case Housing Needs" as established by HUD.[43] Worst case households are those that:

- are renters;
- do not receive Federal housing assistance;
- have incomes below 50 percent of the median family income in their area, as established by HUD; and
- pay more than one-half of their income for rent and utilities or live in severely substandard housing.

Due to minor computational differences, HAC's estimate of the number of rural U.S. households experiencing worst case needs is approximately 100,000 fewer than HUD's estimate.

Three questions from the AHS were utilized to determine whether a household receives Federal housing assistance: (1) Is the building owned by a public housing authority? (2) Does the Federal Government pay some cost of the unit? (3) Do the people living here have to report the household's income to someone every year so they can set the rent? If respondents answered "yes" to any of the three they were counted as receiving federal housing assistance.

Households living in severely inadequate housing were identified if they experienced any one of five problems with plumbing, heating, electric, upkeep, or hallways, listed above in the *Housing Problems* section.

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[42] *American Housing Survey in 1995,* A-13 to A-14.

[43] U.S. Department of Housing and Urban Development, *Rental Housing Assistance – The Crisis Continues: The Worst Case Housing Needs Report for 1997,* Washington, D.C., April 1998.

APPENDIX B: ROUNDTABLE TOPICS AND DISCUSSION QUESTIONS

Rental Housing Need and the Continuum of Housing Options

Rural Rental Housing Need

- How would you characterize the extent of need for affordable rental housing in rural areas of your region?
- How has the development of affordable housing in your rural areas been distributed: primarily concentrated in or near county or regional population centers or scattered throughout sparsely settled rural areas? Is there a need for more rental housing development in sparsely settled rural areas, or for efforts to connect prospective tenants in these areas to affordable rentals available in population centers?
- What types of households in your region have primarily been served by Section 515 projects (i.e. elderly, disabled, farmworkers, families, singles, etc.)? Are there subgroups of low-income people who have not been adequately served by federally funded rental projects?
- In your opinion, is there enough affordable rental housing in rural areas of your region to meet the needs of low-income households who are not likely to be able to afford homeownership?

Subsidized Rental Housing and Homeownership

- In what ways have affordable rental projects in your region contributed to homeownership among low-income rural households (presumably tenants in these projects)?
- In your opinion, what percentage of tenants could become homeowners with additional assistance or opportunities? What types of assistance or opportunities would be required to assist tenants in affordable projects become homeowners?

Rental Housing Development and Financing

What Works

- What are the most important factors contributing to successful financing of affordable rental housing in rural areas?
- What are the primary factors that contribute to successful completion of development and leasing up the projects?
- How would you assess the organizational capacity of rural organizations in your area to develop affordable rental housing, particularly nonprofit developers? What factors contribute most to enhancing and maintaining development capacity among nonprofit rental housing sponsors, such as technical assistance, administrative support, or other resources?

Section 515 and Rental Assistance

- What impacts have you observed in relation to reductions in Section 515 funding over the last few years, both in terms of constructing new units and maintaining units in the portfolio?
- In your region or from your experience, what kinds of demands will be placed on Section 521 rental assistance in the next few years?
- To what extent is Section 8 tenant-based rental assistance being used in Section 515 projects within your region? Have housing authorities in your region adopted local preferences that may target Section 8 assistance to more clients in rural areas?

- What are the primary funding sources leveraged for Section 515 projects within your region? Do you have any suggestions for improving the use of Section 515 with other federal programs, with state affordable housing programs, or with other housing development funding sources?
- What do you feel are the prospects for increasing Section 515 funding in the next few years? What do you feel needs to be done to encourage increased program funding?
- If it appears that Section 515 funding cannot be increased to maintain the viability of the program, what type of rental housing development program would you propose as an alternative to meet the rental housing needs of very low-income households in rural areas? Please explain what you feel are the strengths and limitations of the alternative program you propose.

Leveraging Issues and Tax Credits

- What are the project financing gaps that exist in the development of rural rental housing? What benefits do you feel are associated with leveraged financing?
- In what ways and to what extent does leveraging have an impact on development costs? What are the challenges to leveraging?
- What are the principal factors that allow projects with leveraged financing to serve very low-income clients?
- In what ways have private lenders supported development of affordable rural rental housing in your region? How could private lenders better support development of rental housing for very low-income households in rural areas?
- What are the primary challenges facing project sponsors when using LIHTC to develop rural rental housing?
- What works in tax credit projects to make the rents affordable to very low-income households?

State Support of Affordable Rental Housing Development

- Are there state-funded programs in your region which have been used substantially in rural areas? What challenges have arisen in using these programs to support rental housing development in rural areas, particularly when serving very low-income households?

- In federally funded, state-administered programs, such as HOME and CDBG, how have the programs been targeted to or assisted the development of affordable rental housing in rural areas?

Preserving Affordable Rental Housing

Prepayment and Impact on Tenants

- How prevalent are prepayment requests among for-profit owners of Section 515 projects in your region? How prevalent are prepayment requests among for-profit owners with Section 8 new construction projects in rural areas?
- What are the most common reasons given by developers considering prepayment?
- What measures have been proposed to assist tenants who may be displaced from these projects by prepayment? Will providing tenants in prepaid projects with vouchers provide adequate housing assistance on an ongoing basis, especially for very low-income households?
- What has been the reaction of tenants to notification that the landlord may opt out of the Section 515 or Section 8 programs?
- What measures would you suggest to reduce prepayments and encourage preservation of these affordable rental units in rural areas?

Project Management and Condition

- How would you assess the quality of rural property management in your region?
- How would you assess the condition of rural rental properties?
- What would you suggest to improve the quality of propoerty management in rural rental projects?

Addressing Special Needs

Services and Housing

- To what extent has service provision been attached to rural rental housing projects in your region? What tenant groups are primarily receiving services?
- What has the provision of services contributed to tenant well-being?
- What have been the challenges in securing services for affordable rental projects in rural areas?

Populations with Special Housing Needs

- What are the primary challenges in design, finance and development of rental housing for households with special housing needs in rural areas?
- What are some effective and/or innovative approaches to developing rental housing for rural residents with special housing needs in your region?

APPENDIX C: AHS DATA TABLES

TABLE 1. SELECTED DEMOGRAPHIC CHARACTERISTICS OF ALL HOUSEHOLDS BY RESIDENCE AND TENURE, 1995

Percentages may not add due to rounding

	Owner-Occupied Units Thousands of Households								Renter-Occupied Units Thousands of Households							
	City		Suburb		Rural		Total		City		Suburb		Rural		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Occupied Units	14809	23%	20513	32%	28222	44%	64544	65%	15434	45%	9760	29%	8955	26%	34149	35%
Region																
Northeast	2357	16%	5035	25%	4469	16%	11861	18%	3972	26%	2092	21%	1275	14%	7339	22%
Midwest	3719	25%	4909	24%	7938	28%	16566	26%	3004	20%	1741	18%	2350	26%	7095	21%
South	5089	34%	5818	28%	12052	43%	22959	27%	4760	30%	2783	29%	3734	41%	11277	33%
West	3642	25%	4752	23%	3763	13%	12157	29%	3699	24%	3145	32%	1595	18%	8439	25%
Total	14807	100%	20514	100%	28222	100%	63543	100%	15435	100%	9761	100%	8954	100%	34150	100%

TABLE 2. SELECTED HOUSING CHARACTERISTICS OF ALL HOUSEHOLDS BY RESIDENCE AND TENURE, 1995

Percentages may not add due to rounding

	Owner-Occupied Units, Thousands of Households								Renter-Occupied Units, Thousands of Households							
	City		Suburb		Rural		Total		City		Suburb		Rural		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Structural Type																
One Unit-Detached	11817	80%	17066	83%	23375	83%	52258	82%	2612	17%	2117	22%	3841	43%	8570	25%
One Unit-Attached	1089	7%	1343	7%	504	2%	2936	5%	1147	7%	948	10%	514	6%	2609	8%
Two or More Units	1667	11%	1392	7%	454	2%	3513	6%	11587	75%	6549	67%	3508	39%	21644	63%
Mobile Home	235	2%	713	4%	3890	14%	4838	8%	89	1%	147	2%	1092	12%	1328	4%
Total	14808	100%	20514	100%	28223	100%	63545	100%	15435	100%	9761	100%	8955	100%	34151	100%
Year Built																
1979 or After	4657	31%	9742	48%	15259	54%	29658	47%	5500	36%	5043	52%	4031	45%	14574	43%
1950 to 1978	4836	33%	7239	35%	6072	22%	18147	29%	3745	24%	2909	30%	1864	21%	8518	25%
1949 or Earlier	5315	36%	3532	17%	6891	24%	15738	25%	6189	40%	1808	19%	3060	34%	11057	32%
Total	14808	100%	20513	100%	28222	100%	63543	100%	15434	100%	9760	100%	8955	100%	34149	100%
Adequacy of Housing																
Adequate	14008	95%	19786	97%	26507	94%	60301	95%	13827	90%	9172	94%	8024	90%	31023	91%
Moderately Inadequate	525	4%	376	2%	1170	4%	2071	3%	1137	7%	425	4%	716	8%	2278	7%
Severly Inadequate	275	2%	352	2%	545	2%	1172	2%	471	3%	163	2%	216	2%	850	3%
Total	14808	100%	20514	100%	28222	100%	63544	100	15435	100%	9760	100%	8956	100%	34151	100%
Major Housing Problems																
No Problems	10790	73%	15295	75%	21527	76%	47612	75%	7635	50%	5237	54%	5244	59%	18116	53%
Moderate Cost Only	1831	12%	2731	13%	2899	10%	7461	12%	2847	18%	2016	21%	1544	17%	6407	19%
Severe Cost Only	1141	8%	1556	8%	1759	6%	4456	7%	2622	17%	1538	16%	999	11%	5159	15%
Quality Only	544	4%	505	3%	1306	5%	2355	4%	709	5%	320	3%	547	6%	1576	5%
Crowded Only	171	1%	152	1%	272	1%	595	1%	362	2%	174	2%	165	2%	701	2%
Multiple Problems	332	2%	274	1%	460	2%	1066	2%	1260	8%	475	5%	455	5%	2190	6%
Total	14809	100%	20513	100%	28223	100%	63545	100%	15435	100%	9760	100%	8954	100%	34149	100%
Over Crowded																
Not Overcrowded	14520	98%	20291	99%	27852	99%	62663	99%	14351	94%	9318	96%	8628	96%	32477	96%
Overcrowded	289	2%	222	1%	370	1%	881	1%	904	6%	443	5%	327	4%	1674	5%
Total	14809	100%	20513	100%	28222	100%	63544	100%	15255	100%	9761	100%	8955	100%	34151	100%

TABLE 2. SELECTED HOUSING CHARACTERISTICS OF ALL HOUSEHOLDS BY RESIDENCE AND TENURE, 1995

Percentages may not add due to rounding

	Owner-Occupied Units Thousands of Households								Renter-Occupied Units Thousands of Households							
	City		Suburb		Rural		Total		City		Suburb		Rural		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Monthly Housing Costs																
No Cash Cost									606	4%	466	5%	1272	14%	2344	7%
Under $250	2782	19%	2209	11%	8207	29%	13198	21%	1653	11%	583	6%	1241	14%	3477	10%
$251 to $499	3801	26%	4437	22%	7762	28%	16000	25%	5423	35%	2180	22%	3755	42%	11358	33%
$500 to $749	2940	19%	3577	17%	4811	17%	11328	18%	5060	33%	3987	41%	1905	21%	10952	32%
$750 or More	5285	36%	10291	50%	7442	26%	23018	36%	2692	17%	2544	26%	782	9%	6018	18%
Total	14808	100%	20514	100%	28222	100%	63544	100%	15434	100%	9760	100%	8955	100%	34149	100%
Housing Costs As A Percentage of Income																
Less than 15%	6009	40%	7474	37%	13247	47%	26730	42%	3068	20%	1894	19%	2841	32%	7803	23%
15% to 30%	5528	37%	8490	41%	9899	35%	23917	38%	5718	37%	3869	40%	3161	35%	12748	37%
31% to 50%	2000	14%	2890	14%	3135	11%	8025	13%	3398	22%	2230	23%	1773	20%	7401	22%
51% to 70%	531	4%	734	4%	835	3%	2100	3%	1263	8%	753	8%	486	5%	2502	7%
Over 70%	741	5%	925	5%	1106	4%	2772	4%	1988	13%	1014	10%	693	8%	3695	11%
Total	14809	100%	20513	100%	28222	100%	63544	100%	15435	100%	9760	100%	8954	1005	34149	100%
Subsidized Housing																
Unsubsidized	14809	100%	20513	100%	28222	100%	63544	100%	12688	82%	8616	88%	7636	85%	28920	85%
Subsidized									2767	18%	1145	12%	1319	15%	5231	15%
Total	14809	100%	20513	100%	28222	100%	63544	100%	15455	100%	9761	100%	8955	100%	34151	100%

TABLE 3.SELECTED SOCIOECONOMIC CHARACTERISTICS OF ALL HOUSEHOLDS BY RESIDENCE AND TENURE, 1995

Percentages may not add due to rounding

	Owner-Occupied Units Thousands of Households								Renter-Occupied Units Thousands of Households							
	City		Suburb		Rural		Total		City		Suburb		Rural		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Race																
White	10691	72%	17399	85%	25537	91%	53627	84%	7800	51%	6589	68%	7141	80%	21530	63%
Black	2394	16%	1191	6%	1447	5%	5032	8%	4183	27%	1386	14%	933	10%	6502	19%
Hispanic	1228	8%	1125	5%	893	3%	3246	5%	2576	17%	1285	13%	651	7%	4512	13%
Other	496	3%	798	4%	345	1%	1639	3%	876	6%	500	5%	230	3%	1606	5%
Total	14809	100%	20513	100%	28222	100%	63544	100%	15435	100%	9760	100%	8955	100%	34150	100%
Sex of Householder																
Male	9475	64%	14251	70%	20371	72%	44097	69%	7490	49%	5167	53%	4869	54%	17526	51%
Female	5333	36%	6262	31%	7851	28%	19446	31%	7945	52%	4594	47%	4086	46%	16625	49%
Total	14808	100%	20513	100%	28222	100%	63543	100%	15435	100%	9761	100%	8955	100%	34151	100%
Age of Householder																
Uner 25	171	1%	181	1%	372	1%	724	1%	2143	14%	1088	11%	1147	13%	4378	13%
25 to 34	2046	14%	3060	15%	3732	13%	8838	14%	4811	31%	3195	33%	2632	29%	10638	31%
35 to 44	3425	23%	5010	24%	6311	22%	14746	23%	3433	22%	2251	23%	2089	23%	7773	23%
45 to 64	5202	35%	7532	37%	10203	36%	22937	36%	3096	20%	1932	20%	1792	20%	6820	20%
65 or over	3965	27%	4730	23%	7604	27%	16299	26%	1952	13%	1295	13%	1295	15%	4542	13%
Total	14809	100%	20513	100%	28222	100%	63544	100%	15435	100%	9761	100%	8955	100%	34151	100%
Houshelod Type																
Single	3258	22%	3454	17%	5167	18%	11879	19%	5827	38%	3443	35%	2922	33%	12192	36%
Married with Kids	4034	27%	6776	33%	8489	30%	19299	30%	2208	14%	1854	19%	2030	23%	6092	18%
Married without Kids	4616	31%	7062	34%	10618	38%	22296	35%	1697	11%	1320	14%	1228	14%	4245	12%
Other with Kids	1403	10%	1555	8%	2017	7%	4975	8%	3332	22%	1740	18%	1835	21%	6907	20%
Other Without Kids	1498	10%	1668	8%	1931	7%	5097	8%	2370	15%	1404	14%	939	11%	4713	14%
Total	14809	100%	20515	100%	28222	100%	63546	100%	15434	100%	9761	100%	8954	100%	34149	100%
Educational Attainment																
Eigth Grade or Less	1093	7%	928	5%	2614	9%	4635	7%	1453	9%	638	7%	873	10%	2964	9%
Some H.S./ No Diploma	1373	9%	1463	7%	3470	12%	6306	10%	2320	15%	1114	11%	1452	16%	4886	14%
High School Diploma	4039	27%	5877	29%	10125	36%	20041	32%	4402	29%	2940	30%	3258	36%	10600	31%
Some College	3937	27%	5523	27%	6523	23%	15983	25%	4080	26%	2916	30%	2204	25%	9200	27%
Bachelors Degree	2665	18%	4115	20%	3485	12%	10265	16%	2263	15%	1532	16%	822	9%	4617	14%
Graduate Study/Degree	1702	12%	2608	13%	2006	7%	6316	10%	916	6%	621	6%	347	4%	1884	6%
Total	14809	100%	20514	100%	28223	100%	63546	100%	15434	100%	9761	100%	8956	100%	34151	100%

TABLE 3.SELECTED SOCIOECONOMIC CHARACTERISTICS OF ALL HOUSEHOLDS BY RESIDENCE AND TENURE, 1995

Percentages may not add due to rounding

	Owner-Occupied Units, Thousands of Households								Renter-Occupied Units, Thousands of Households							
	City		Suburb		Rural		Total		City		Suburb		Rural		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Persons in Household																
One	3258	22%	3454	17%	5167	18%	11879	19%	5827	38%	3443	36%	2922	33%	12192	36%
Two	5003	34%	6905	34%	10708	38%	22616	36%	4182	27%	2769	28%	2364	26%	9315	27%
Three	2514	17%	3710	18%	4771	17%	10995	17%	2429	16%	1631	17%	1568	18%	5628	17%
Four	2295	16%	4004	20%	4754	17%	11053	17%	1589	10%	1082	11%	1182	13%	3853	11%
Five or more	1739	12%	2441	12%	2823	10%	7003	11%	1406	9%	836	9%	919	10%	3161	9%
Total	14809	100%	20514	100%	28223	100%	63546	100%	15433	100%	9761	100%	8955	100%	34149	100%

TABLE 4. SELECTED FINANCIAL CHARACTERISTICS OF ALL HOUSEHOLDS BY RESIDENCE AND TENURE, 1995

Percentages may not add due to rounding

	Owner-Occupied Units, Thousands of Households								Renter-Occupied Units, Thousands of Households							
	City		Suburb		Rural		Total		City		Suburb		Rural		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Total Household Income																
Zero or Negative	309	2%	371	2%	479	2%	1159	2%	456	3%	165	2%	168	2%	789	2%
$1 to $9,999	1212	8%	1168	6%	2888	10%	5268	8%	4098	27%	1731	17%	2282	26%	8111	24%
$10,000 to $19,999	1935	13%	1865	9%	4244	15%	8044	13%	3518	23%	2041	21%	2367	26%	7926	23%
$20,000 to $29,999	2509	17%	2817	14%	5029	18%	10355	16%	3132	20%	2352	24%	1866	21%	7350	22%
$30,000 to $39,999	1712	12%	2317	11%	3673	13%	7702	12%	1686	11%	1332	14%	977	11%	3995	12%
$40,000 to $49,999	1669	11%	2142	10%	3033	11%	6844	11%	1106	7%	787	8%	579	7%	2472	7%
$50,000 to $59,999	1363	9%	2057	10%	2345	8%	5765	9%	533	4%	510	5%	316	4%	1359	4%
Over $60,000	4100	28%	7777	38%	6531	23%	18408	29%	906	6%	840	9%	401	5%	2147	6%
Total	14809	100%	20514	100%	28222	100%	63545	100%	15435	100%	9758	100%	8956	100%	34149	100%
Percent of Area Median income																
Below 30% of Median	1505	10%	1563	8%	2617	9%	5685	9%	4487	29%	1902	20%	1905	21%	8294	24%
30% to 50% of Median	1397	9%	1528	7%	2786	10%	5711	9%	2547	17%	1532	16%	1569	18%	5648	17%
51% to 80% of Median	2497	17%	2920	14%	4428	16%	9845	16%	3145	20%	2331	24%	1946	22%	7422	22%
80% to 120% of Median	2695	18%	3613	18%	5492	20%	11800	19%	2691	17%	1955	20%	1761	20%	6407	19%
Over 120% of Median	6714	45%	10889	53%	12899	46%	30502	48%	2565	17%	2039	21%	1774	20%	6378	19%
Total	14808	100%	20513	100%	28222	100%	63543	100%	15435	100%	9759	100%	8955	100%	34149	100%
Salary/Wage Income																
Yes	11009	74%	15786	77%	20257	72%	47052	74%	11548	75%	7849	80%	6937	78%	26334	77%
No	3799	26%	4727	23%	7965	28%	16491	26%	3886	25%	1912	20%	2018	23%	7816	23%
Total	14808	100%	20513	100%	28222	100%	63543	100%	15434	100%	9761	100%	8955	100%	34150	100%
Houshelod Savings																
Have Savings	2140	51%	2488	60%	4654	49%	9282	52%	1951	21%	1308	27%	1438	26%	4661	24%
No Savings	2056	49%	1663	40%	4773	51%	8452	48%	7300	79%	3502	73%	4194	74%	14996	76%
Total	4196	100%	4151	100%	9427	100%	17734	100%	9251	100%	4810	100%	5632	100%	19657	100%

TABLE 5. SELECTED CHARACTERISTICS OF WORST CASE NEEDS HOUSEHOLDS, BY RESIDENCE, 1995

Percentages may not add due to rounding

Table 5A. Selected Demographics of Worst Case Households

Thousands of Households

	City		Suburb		Rural		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Housing Units	2707	9%	1467	5%	1045	3%	5219	5%
Region								
Northeast	795	29%	312	21%	155	15%	1262	24%
Midwest	526	19%	208	14%	261	25%	995	19%
South	656	24%	369	25%	413	40%	1438	27%
West	730	27%	578	39%	216	21%	1524	29%
Total	2707	100%	1467	100%	1045	100%	5219	100%

Table 5B. Housing Characteristics of Worst Case Needs Households

	City Number	City Percent	Suburb Number	Suburb Percent	Rural Number	Rural Percent	Total Number	Total Percent
Structural Type								
One Unit-Detached	460	17%	260	18%	424	41%	1144	22%
One Unit-Attached	174	6%	102	7%	55	5%	331	6%
Two or More Units	2040	75%	1066	73%	434	42%	3540	68%
Mobile Home	33	1%	39	3%	132	13%	204	4%
Total	2707	100%	1467	100%	1045	100%	5219	100%
Year Built								
1979 or After	799	30%	665	45%	386	37%	1850	35%
1950 to 1978	580	21%	472	32%	226	22%	1278	25%
1949 or Earlier	1326	49%	331	23%	434	42%	2091	40%
Total	2705	100%	1468	100%	1046	100%	5219	100%
Adequacy of Housing								
Adequate	2214	82%	1333	91%	846	81%	4393	84%
Moderately Inadequate	281	10%	74	5%	98	9%	453	8%
Severely Inadequate	211	8%	60	4%	100	10%	371	7%
Total	2706	100%	1467	100%	1044	100%	5217	100%
Major Housing Problems								
Severe Cost Only	2066	76%	1229	83%	810	76%	4105	79%
Quality Only	37	1%	16	1%	37	4%	90	2%
Multiple Problems	603	22%	223	15%	198	20%	1024	20%
Total	2706	100%	1468	100%	1045	100%	5219	100%
Over Crowded								
Not Overcrowded	2491	92%	1336	91%	983	94%	4810	92%
Overcrowded	215	8%	131	9%	62	6%	408	8%
Total	2706	100%	1467	100%	1045	100%	5218	100%
Contract Rent								
Under $250	203	7%	46	3%	298	29%	547	10%
$251 to $499	1455	54%	542	37%	543	52%	2540	49%
$500 to $749	742	27%	653	45%	164	16%	1559	30%
$750 or More	306	11%	225	15%	40	4%	571	11%
Total	2706	100%	1466	100%	1045	100%	5217	100%

Thousands of Households

	City		Suburb		Rural		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Housing Costs As a percentage of Income								
51% to 70%	961	41%	555	38%	373	39%	1889	38%
Over 70%	1361	59%	887	62%	592	61%	3100	62%
Total	2322	100%	1442	100%	965	100%	4989	100%
State or Local Govt. Pays for some of the cost of the Unit								
Yes	107	4%	21	1%	18	2%	146	3%
No	2557	96%	1426	99%	1000	98%	4983	97%
Total	2664	100%	1447	100%	1018	100%	5129	100%

Table 5C. Socioeconomic Characteristics of Worst Case Needs Households

	City Number	City Percent	Suburb Number	Suburb Percent	Rural Number	Rural Percent	Total Number	Total Percent
Race								
White	1197	44%	860	57%	792	76%	2849	55%
Black	770	28%	223	15%	148	14%	1141	22%
Hispanic	574	21%	284	19%	82	8%	940	18%
Other	166	6%	101	7%	23	2%	290	6%
Total	2707	100%	1468	100%	1045	100%	5220	100%
Sex of Householder								
Male	1021	38%	606	41%	405	39%	2034	39%
Female	1685	62%	860	57%	640	61%	3185	61%
Total	2706	100%	1466	100%	1045	100%	5219	100%
Age of Householder								
Under 25	574	21%	227	16%	154	15%	955	18%
25 to 34	628	23%	370	25%	249	24%	1247	24%
35 to 44	501	19%	258	18%	197	19%	956	18%
45 to 64	532	20%	304	21%	227	22%	1063	20%
65 or over	472	17%	308	21%	217	21%	997	19%
Total	2707	100%	1467	100%	1044	100%	5218	100%
Household Type								
Single	1153	43%	609	42%	464	44%	2226	43%
Married with Kids	261	10%	227	16%	123	12%	611	12%
Married without Kids	149	6%	71	5%	84	8%	304	6%
Other with Kids	747	28%	362	25%	303	29%	1412	27%
Other without Kids	395	15%	199	14%	72	7%	666	13%
Total	2705	100%	1468	100%	1046	100%	5219	100%
Educational Attainment								
Eighth Grade or Less	356	13%	154	11%	153	15%	663	13%
Some H.S., no Diploma	527	20%	240	16%	245	23%	1012	19%
High School Diploma	820	30%	457	31%	356	34%	1633	31%
Some College	610	23%	418	29%	195	19%	1223	23%
Bachelor's Degree	314	12%	143	10%	71	7%	528	10%
Graduate Study /Degree	78	3%	56	4%	25	2%	159	3%
Total	2705	100%	1468	100%	1045	100%	5218	100%
Persons in Household								
One	1153	43%	609	42%	464	44%	2226	43%
Two	661	24%	321	22%	210	20%	1192	23%
Three	373	14%	244	17%	174	17%	791	15%
Four	233	9%	125	9%	82	8%	440	8%
Five or more	285	11%	169	12%	116	11%	570	10%
Total	2705	100%	1468	100%	1046	100%	5219	100%

Table 5D. Financial Characteristics of Worst Case Needs Households

Thousands of Households

	City		Suburb		Rural		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total Household Income								
$1 to $9,999	1886	70%	849	58%	799	77%	3534	68%
$10,000 to $19,999	762	28%	571	39%	236	23%	1569	30%
over $20,000	40	2%	45	3%	6	1%	91	2%
Total	2688	100%	1465	100%	1041	100%	5194	100%
Percent of Area Median income								
Below 30% of Median	2068	76%	995	68%	735	70%	3798	73%
30% to 50% of Median	638	24%	472	32%	310	30%	1420	27%
Total	2706	100%	1467	100%	1045	100%	5218	100%
Salary/wage income								
Yes	1474	55%	870	59%	565	54%	2909	56%
No	1232	46%	598	41%	480	46%	2310	44%
Total	2706	100%	1468	100%	1045	100%	5219	100%
Household Savings								
Have Savings	474	19%	350	26%	170	18%	994	21%
No Savings	2032	81%	962	73%	787	82%	3781	79%
Total	2506	100%	1312	100%	957	100%	4775	100%

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Renters in rural areas suffer some of the worst housing problems in the United States. Poor housing quality and high housing costs deprive many rural rental households of decent, affordable housing. This report uses statistical data and roundtable discussions with experts to describe rural renters, their homes, and the federal resources available to help. The study concludes that there is a significant need for additional federal aid to rural renters — a difficult challenge at a time when national housing policy often focuses on homeownership.

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