

USDA RURAL HOUSING ACTIVITY



Fiscal Year 2013 and Beyond An Overview

Presented by: Michael Feinberg, Senior Policy Analyst

Housing Assistance Council
March 18, 2014



HAC

Housing Assistance Council

Building Rural Communities



- Established in 1971
- National nonprofit organization
- Created to increase the availability of decent and affordable housing for low-income people in rural areas throughout the U.S.
- Provide services to local, state, and national organizations

Housing Assistance Council



Housing Assistance Council

1025 Vermont Ave Ste 606
Washington DC 20005
(202) 842-8600
hac@ruralhome.org
www.ruralhome.org

Southeast Regional Office

600 West Peachtree Street NW
Ste 1500
Atlanta, GA 30308
(404) 892-4824
southeast@ruralhome.org

Southwest Regional Office

7510 Montgomery, NE
Ste 205
Albuquerque, NM 87109
(505) 883-1003
southwest@ruralhome.org

Midwest Regional Office

10100 N Ambassador Dr
Ste 310
Kansas City, MO 64153
(816) 880-0400
midwest@ruralhome.org

West Regional Office

717 K Street
Ste 404
Sacramento, CA 95814
(916) 706-1836
west@ruralhome.org

Housing Assistance Council

Building Rural Communities since 1971



- Founded in 1971, HAC is a national nonprofit corporation headquartered in Washington, D.C;
- HAC helps local organizations build affordable homes in rural America by providing:
 - Below-Market Financing;
 - Training and Technical Assistance;
 - Research and Information Services.
- HAC's programs focus on;
 - Local Solutions;
 - Empowerment of the poor;
 - Reduced dependency and self-help strategies.

HAC's Mission



“To improve housing conditions for the **rural** poor, with an emphasis on the poorest of the poor in the most rural places.”



Photo courtesy of
Federation of Appalachian
Housing Enterprises

Upcoming Webinars/Trainings



Section 502 Packaging Training

Date: March 25-27, 2014

Location: Memphis, TN

Energy Efficiency and Renewable Energy Systems

Date: March 25-27, 2014

Location: Memphis, TN

Serving Veterans in Rural America: A Symposium

Date: April 9, 2014

Location: Washington, DC

Housing Seniors & Veterans in Rural America: *Preservation, Development & Services*

Date: April 22-23, 2014

Time: Phoenix, AZ

Register online @ <http://www.ruralhome.org/hac-services/training>

Shonterria Charleston, 404-892-4824 ext. 27 or shonterria@ruralhome.org.

USDA Historic Activity



- First USDA housing loan made around 1950
- USDA has funded nearly 4.4 million loans, grants, or guarantees representing over \$223 billion to construct, purchase, or repair rural housing units.
- Beginning in 1978, USDA also provided funding for rental assistance to help tenants better afford rents in agency financed multifamily housing units.
- Over the years, USDA funded over \$18 billion to provide annual rental assistance and tenant vouchers supporting more than 2.1 million rental housing units.

Fiscal Year 2013 Funding Challenges

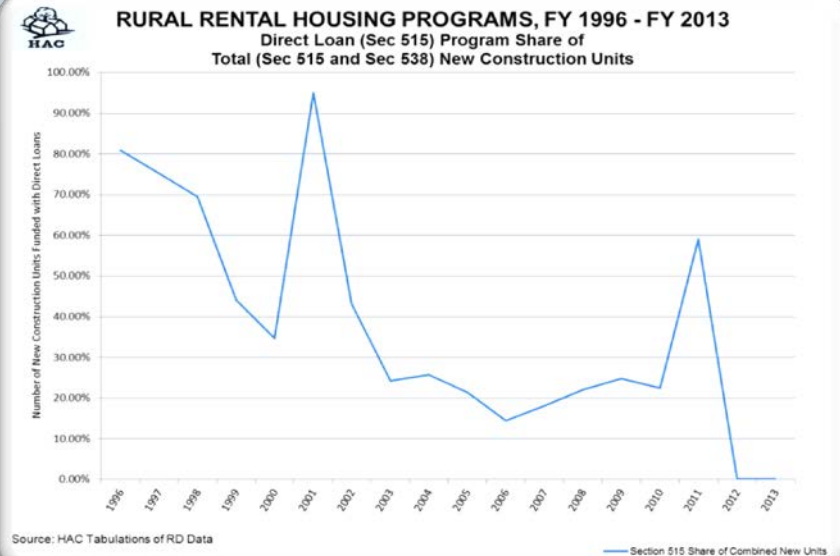
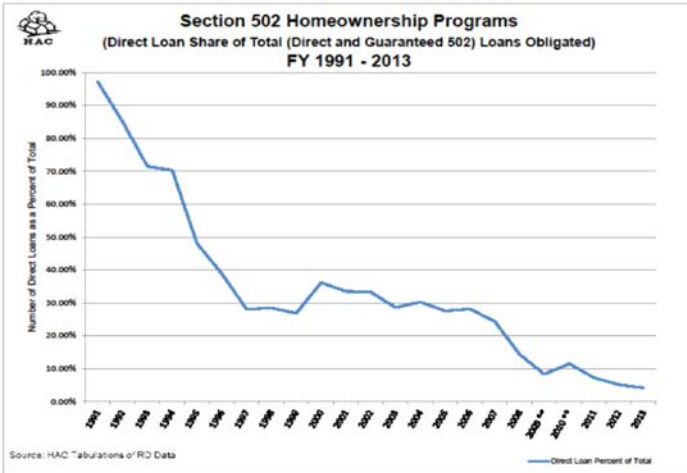


- Two Continuing Resolutions Based on Uncertain Final Program Levels
- Sequestration & Rescission
7.5 percent across the board reduction

Noteworthy Trends



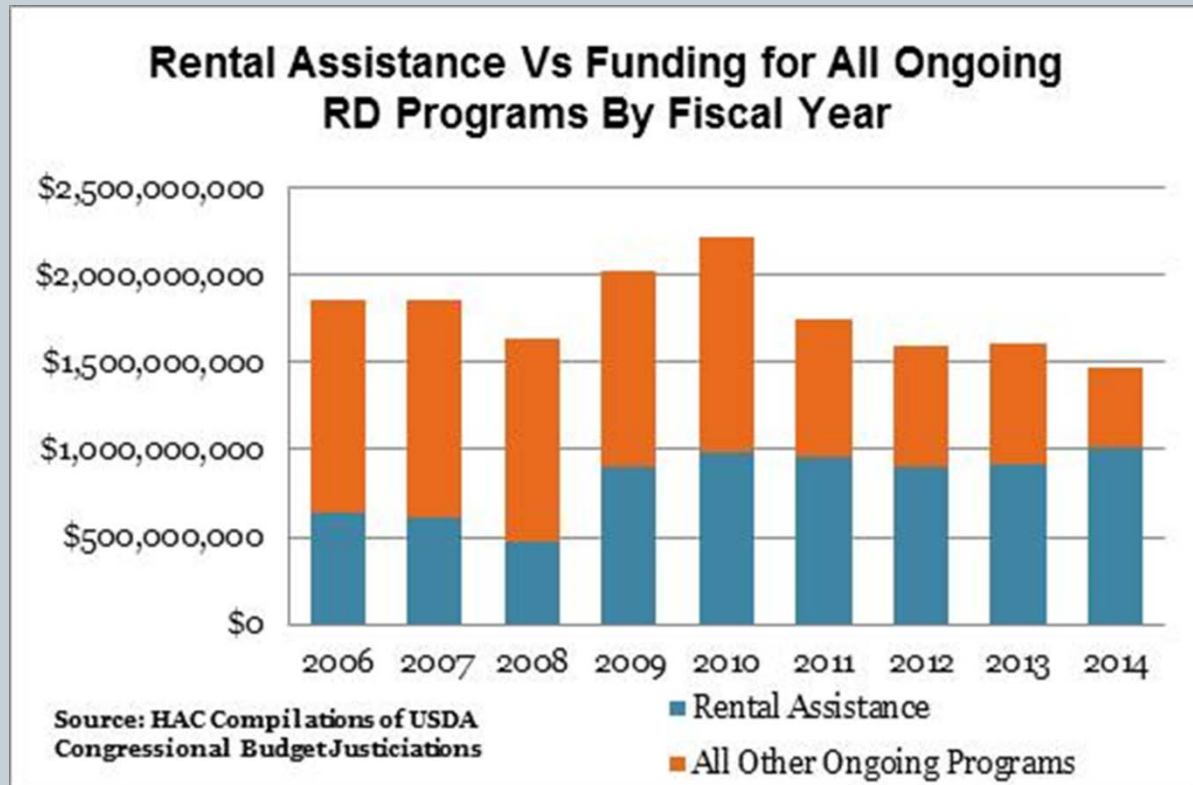
- Program funding has been shifting towards guaranteed loans for year.
 - Guaranteed loans cost less than direct loans or grants (no deep subsidy).
 - However, these programs serve higher income borrowers.



Noteworthy Trends



- Rental Assistance is taking an increasing share of the RD budget.





USDA Single Family Housing Programs

Homeownership Programs



- *Section 502 Loan Guarantees Continue to Dominate RD Lending Activity.*
- *Share of Section 502 Direct Funding for Very Low-Income (VLI) Households Decreases*
- *Section 504 Repair and Rehab Loan Obligations Increase, But a Significant Portion Goes Unobligated.*

Homeownership Programs

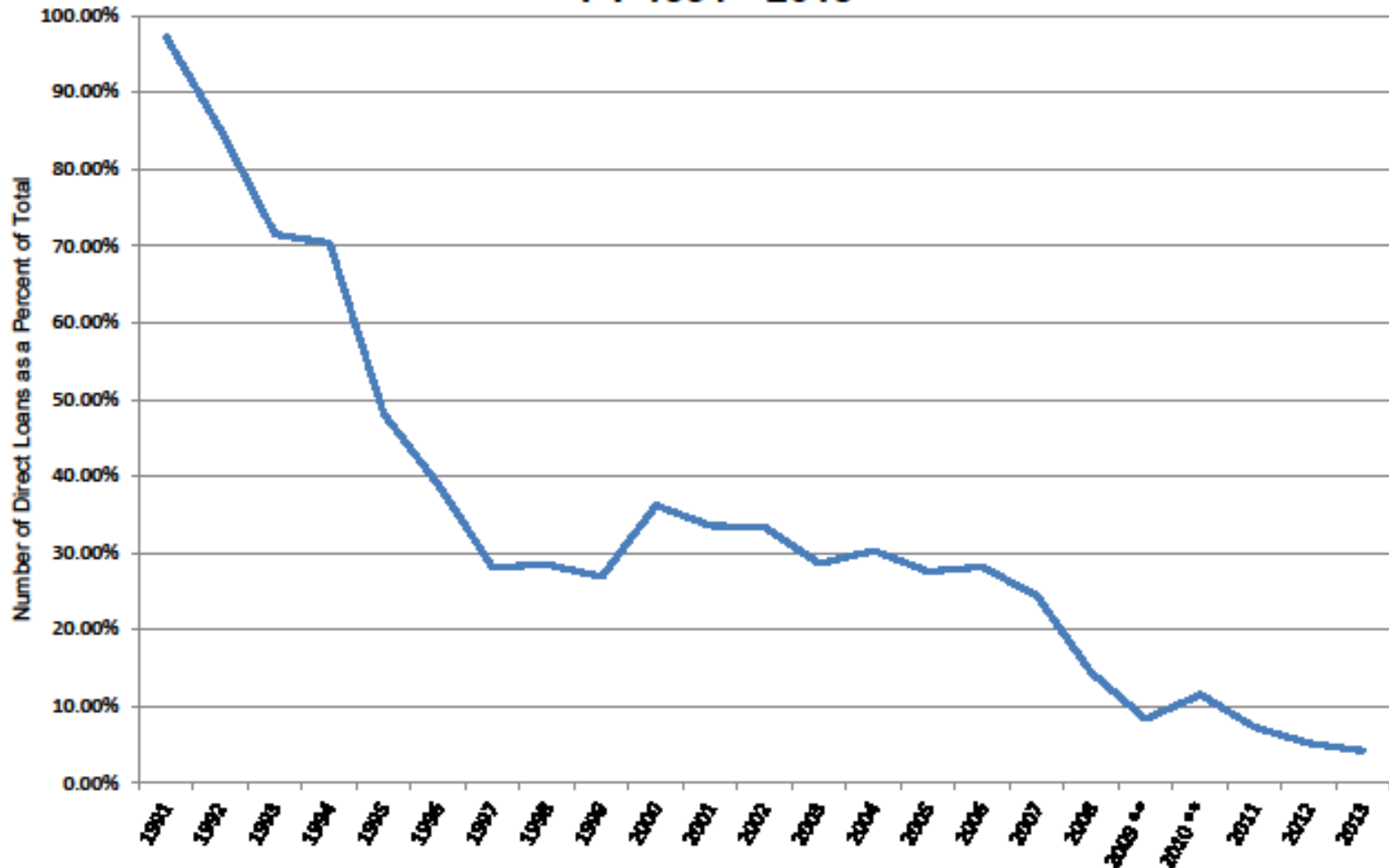


- *Section 502 Loan Guarantees Continue to Dominate RD Lending Activity*
 - Funding has shifted towards guaranteed loans
 - FY 2013 – 96 percent of Section 502 dollars obligated were guaranteed loans
 - 163,000 guaranteed loans representing \$22.4 billion
 - 7,111 direct loans totaling \$827 million (lowest number of direct loans since 1961)



Section 502 Homeownership Programs

(Direct Loan Share of Total (Direct and Guaranteed 502) Loans Obligated)
FY 1991 - 2013



Source: HAC Tabulations of RD Data

— Direct Loan Percent of Total



SECTION 502 HOMEOWNERSHIP LOANS, FY 1991 - FY 2013

Year	Units (Direct)	Dollars* (Direct)	Units (Guaranteed)	Dollars* (Guaranteed)	Direct Share of Units	Direct Share of Dollars*
1991	23,122	\$1,269,674,290	660	\$38,400,700	97.22%	97.06%
1992	21,862	\$1,253,799,880	3,828	\$214,391,470	85.10%	85.40%
1993	22,340	\$1,291,307,530	8,901	\$539,836,190	71.51%	70.52%
1994	27,351	\$1,656,830,960	11,523	\$725,917,800	70.36%	69.53%
1995	15,351	\$931,335,950	16,580	\$1,048,757,640	48.08%	47.03%
1996	15,883	\$1,016,448,520	24,955	\$1,699,955,030	38.89%	37.42%
1997	11,403	\$706,404,350	29,161	\$1,999,941,080	28.11%	26.10%
1998	15,563	\$1,007,778,300	39,144	\$2,822,474,430	28.45%	26.31%
1999	14,531	\$966,910,110	39,566	\$2,976,977,550	26.86%	24.52%
2000	16,493	\$1,140,938,091	29,123	\$2,150,522,375	36.16%	34.66%
2001	14,789	\$1,074,712,403	29,326	\$2,341,577,420	33.52%	31.46%
2002	14,013	\$1,080,636,610	28,056	\$2,418,665,760	33.31%	30.88%
2003	12,633	\$1,038,359,350	31,508	\$3,086,740,470	28.62%	25.17%
2004	14,643	\$1,351,660,052	33,760	\$3,233,395,414	30.25%	29.48%
2005	11,744	\$1,140,711,032	30,871	\$3,045,473,402	27.56%	27.25%
2006	11,865	\$1,210,413,227	30,268	\$3,074,685,565	28.16%	28.25%
2007	11,051	\$1,208,329,152	34,318	\$3,663,597,113	24.36%	24.80%
2008	9,831	\$1,138,776,122	58,524	\$6,756,293,547	14.38%	14.42%
2009 **	11,887	\$1,455,859,055	130,875	\$15,733,225,656	8.33%	8.47%
2010 **	17,352	\$2,144,866,610	133,053	\$16,763,744,233	11.54%	11.34%
2011	9,465	\$1,119,158,787	120,763	\$16,858,927,513	7.27%	6.23%
2012	7,918	\$899,997,704	145,109	\$19,213,094,526	5.17%	4.47%
2013	7,111	\$827,165,231	162,943	\$22,350,462,183	4.18%	3.57%
Totals	338,201	\$26,932,073,316	1,172,815	\$132,757,057,067	22.38%	16.87%

* Dollars not adjusted for inflation.

** ARRA included but not broken out

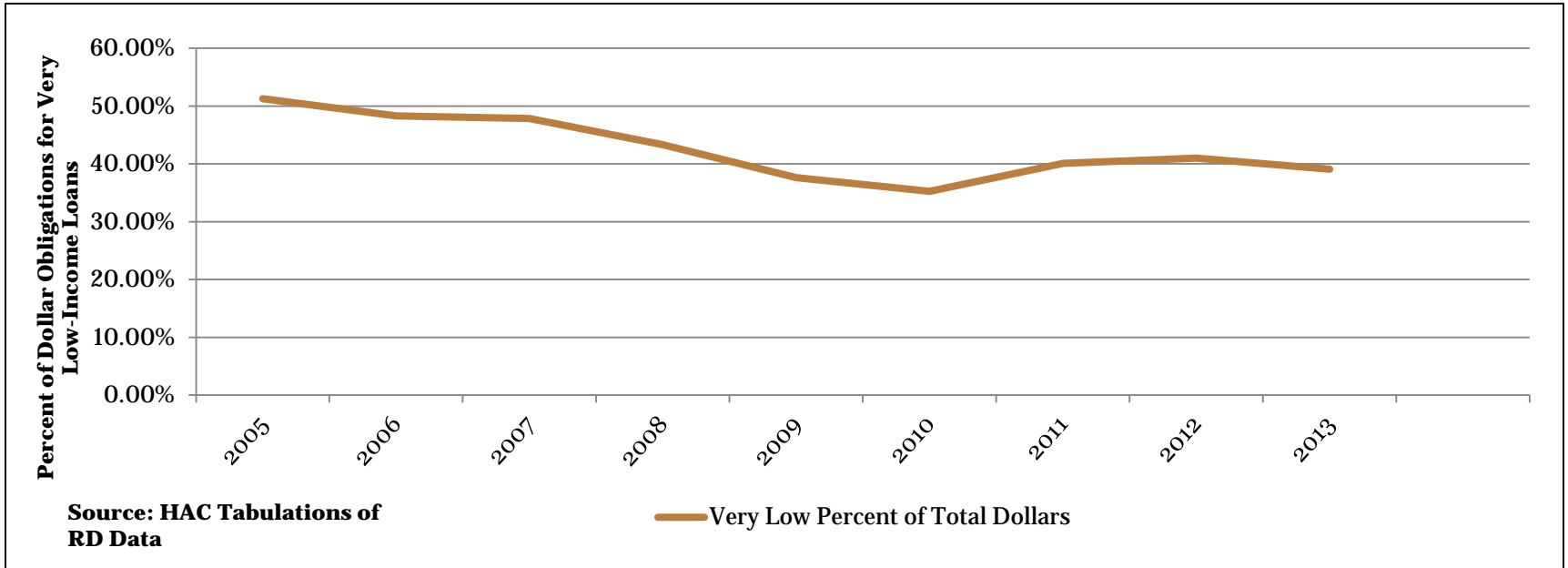
Homeownership Programs



- *Share of Section 502 Direct Funding for Very Low-Income (VLI) Households Decreases*
 - Housing Act of 1949 requires that at least 40 percent of Section 502 direct dollars be set aside for very low-income (40 percent Area Median Income)
 - Share of obligations for very low-income decline since 2005
 - \$12.9 million not obligated in FY 2013 (all very low income dollars)

USDA Section 502 Direct SFH Loans

Very Low-Income Percent of Total Dollars Obligated (FY 2005 - 2013)



Year	Total	Low Dollars Obligated	Low Percent of Total Dollars	Very Low Dollars Obligated	Very Low Percent of Total Dollars
2005	\$1,103,130,962	\$537,643,371	48.74%	\$565,487,591	51.26%
2006	\$1,102,714,348	\$570,249,189	51.71%	\$532,465,159	48.29%
2007	\$1,105,118,093	\$576,661,470	52.18%	\$528,456,623	47.82%
2008	\$1,066,078,490	\$604,684,388	56.72%	\$461,394,102	43.28%
2009	\$1,388,338,923	\$865,883,344	62.37%	\$522,455,579	37.63%
2010	\$2,144,770,072	\$1,388,489,456	64.74%	\$756,280,616	35.26%
2011	\$1,118,929,841	\$670,340,905	59.91%	\$448,588,936	40.09%
2012	\$899,997,707	\$531,174,042	59.02%	\$368,823,665	40.98%
2013	\$827,165,230	\$504,046,068	60.94%	\$323,119,162	39.06%

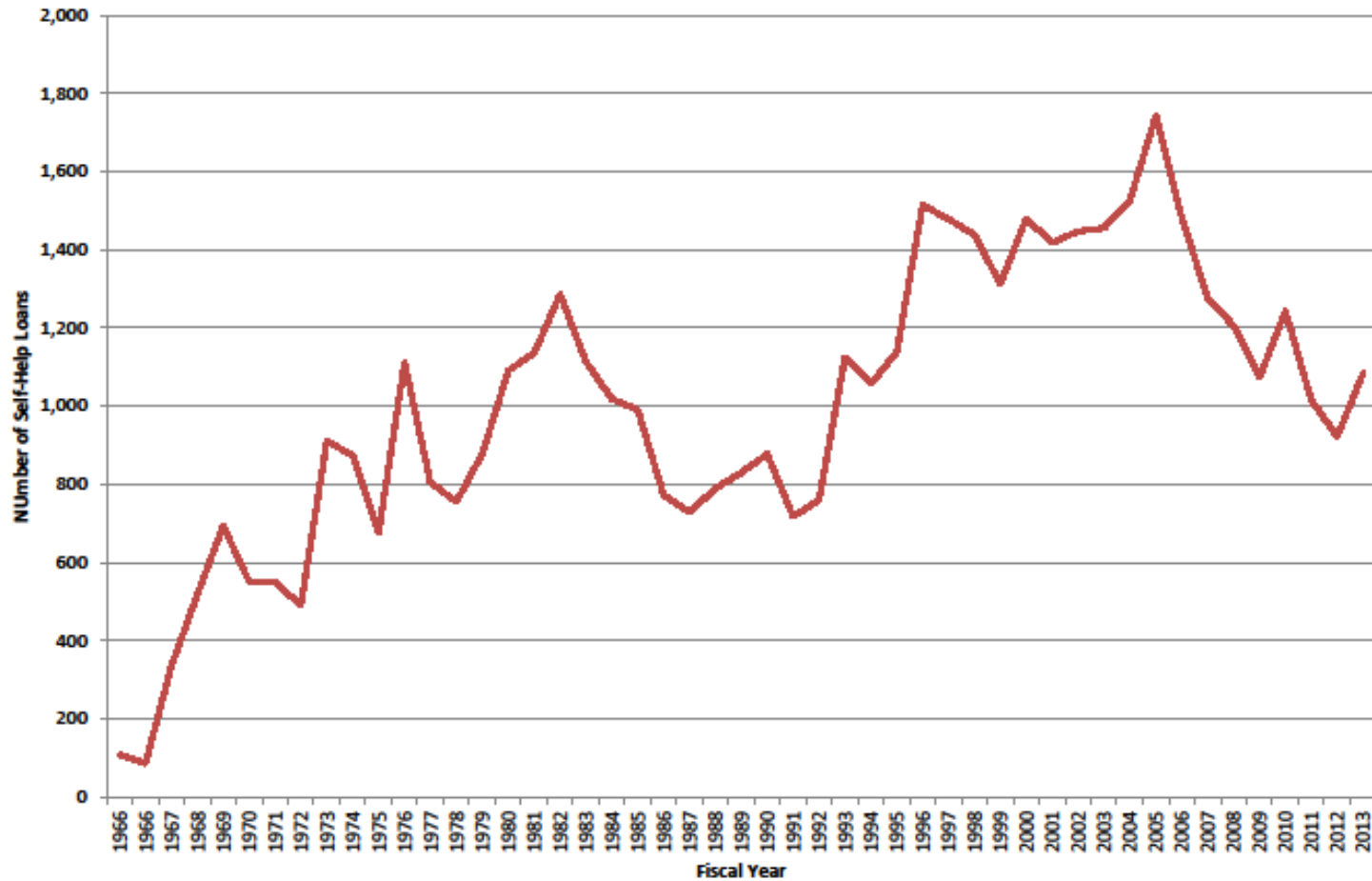
Homeownership Programs



- *Number of Section 502 Direct Loans for Self-Help Housing Increased Slightly.*
 - Obligations for Self-Help peaked in FY 2005 when 1,743 loans were obligated representing nearly \$161 billion.
 - Similar to the trends for the overall program, the number of loans for Self-Help housing has been declining.



USDA SECTION 502 DIRECT LOANS FOR SELF-HELP HOUSING FY 1966 - FY 2013



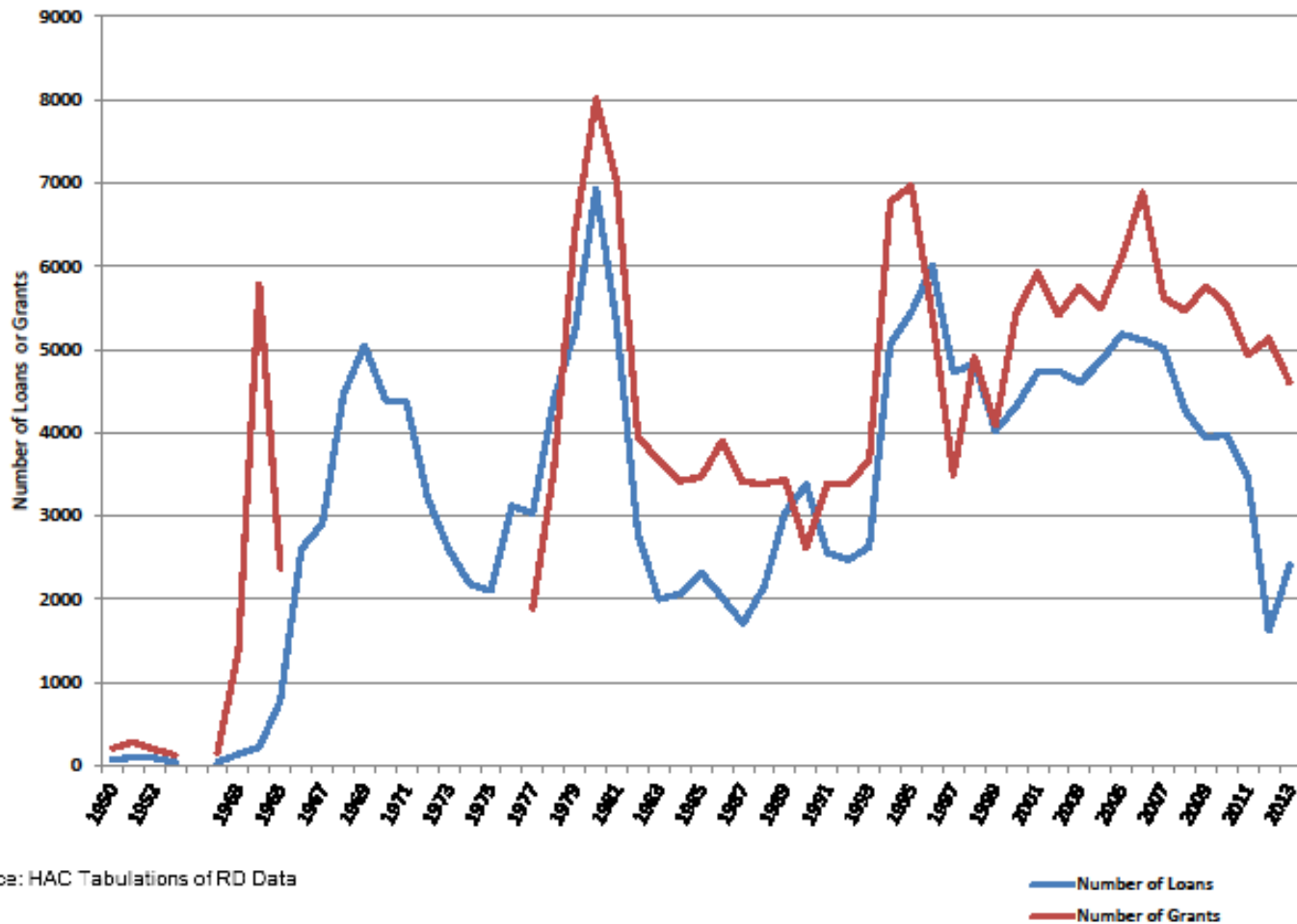
Homeownership Programs



- *Section 504 Repair and Rehab Loan Obligations Increase But a Significant Portion Goes Unobligated.*
 - Number of Section 504 loans obligated has been on a declining trend.
 - In FY 2013, the Agency did not fully obligate its appropriation of Section 504 loans, partially due to budget uncertainties resulting from a late final appropriation.
 - During the previous year, FY 2012, appropriations of 504 loan funds were significantly lower than historical program levels.



USDA SECTION 504 VERY LOW-INCOME REPAIR PROGRAM FY 1950 - FY 2013



Source: HAC Tabulations of RD Data



USDA Multi-Family Housing Programs

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



- *There were no Section 515 Multifamily New Construction units in FY 2013, Most of the Section 515 Funds Were Used for Rehabilitation of Existing Stock.*
- *Rental Assistance Funding Inadequate To Cover Expiring Contracts.*
 - *Partially due to Sequestration*
 - *Also, due to exhausted funding from longer term RA contracts.*
- *Multifamily Housing Vouchers Are Concentrated in a few states.*

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



- *Section 515 Multifamily New Construction Was Nonexistent.*
 - In FY 2013, there were no Section 515 Multifamily Housing loans to construct new units of rental housing.
 - This was the second year in a row that no new units were financed with Section 515 loans.

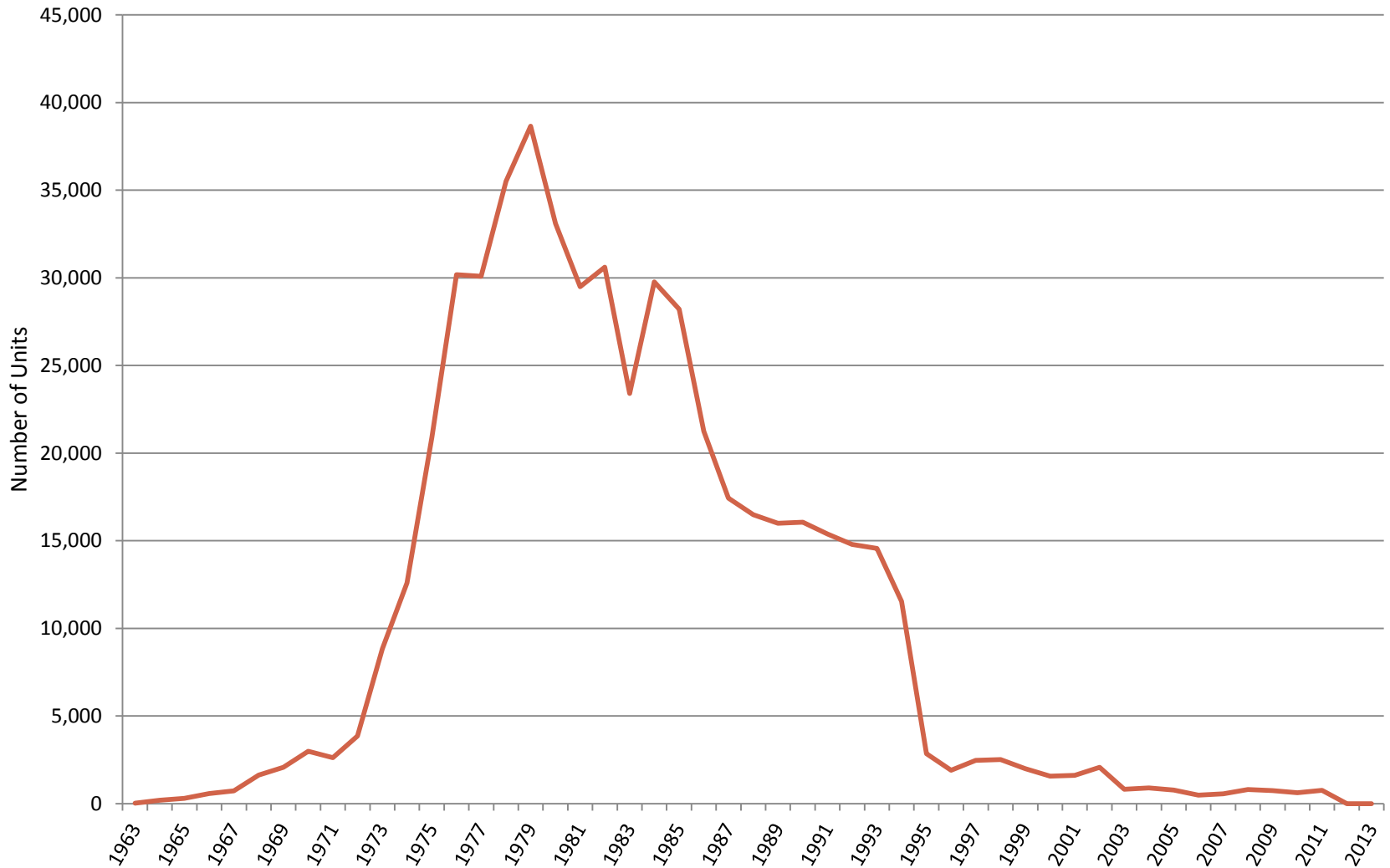
MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



- *The Majority of Section 515 Funds Were Used for Rehabilitation of Existing Stock.*
 - The FY 2013 Section 515 allocation was used for repair and rehabilitation of the existing Section 515 portfolio.
 - Approximately \$29 million for repair and rehabilitation of 42 Section 515 properties representing 1,399 repaired or rehabilitated units.
 - This is approximately \$30 million less than was obligated in FY 2012.



USDA SECTION 515 RURAL RENTAL HOUSING PROGRAM FY 1963 - FY 2013



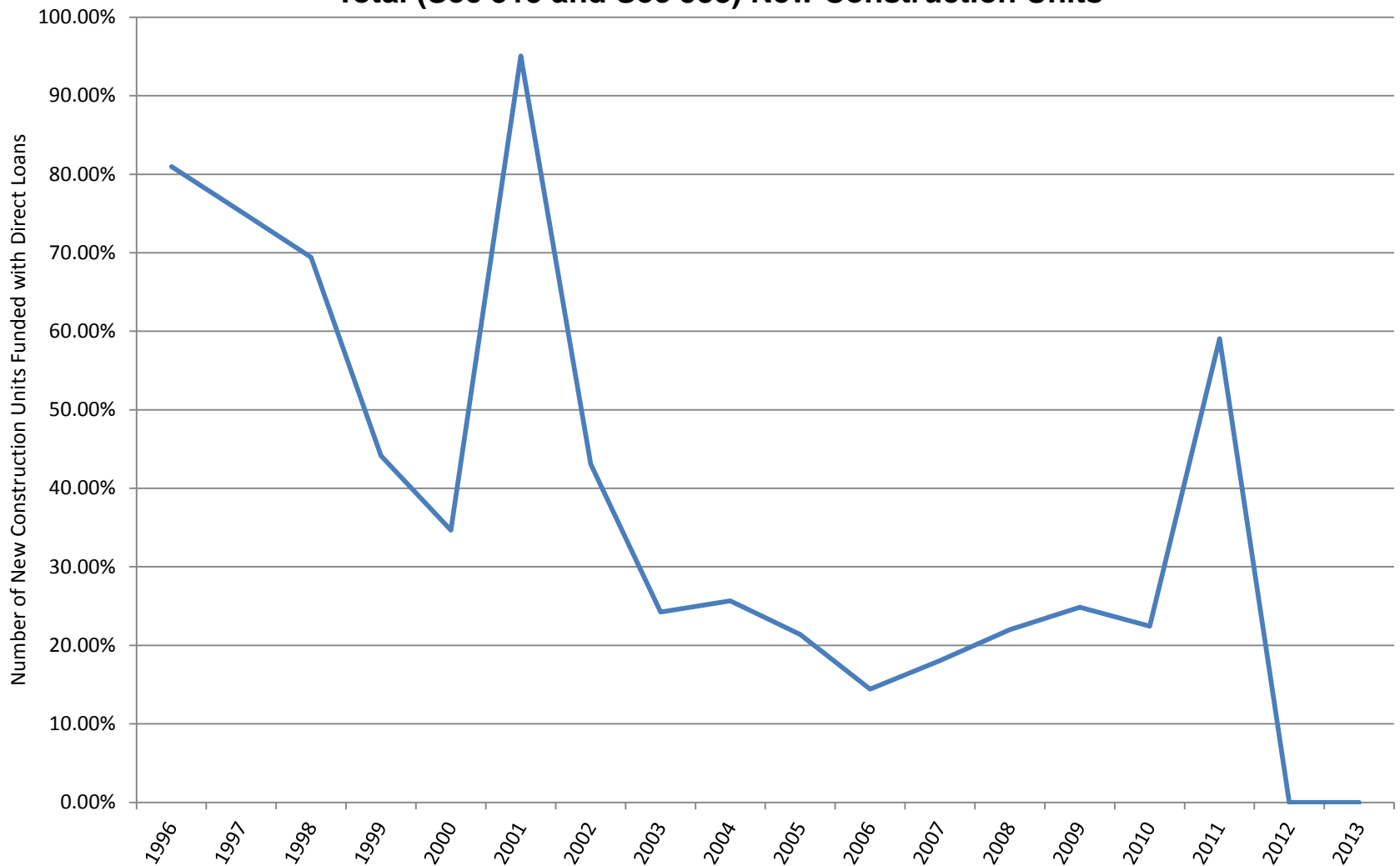
Source: HAC Tabulations of RD Data

Units Funded



RURAL RENTAL HOUSING PROGRAMS, FY 1996 - FY 2013

Direct Loan (Sec 515) Program Share of Total (Sec 515 and Sec 538) New Construction Units



Source: HAC Tabulations of RD Data

Section 515 Share of Combined New Units



RURAL RENTAL HOUSING PROGRAMS, FY 1996 - FY 2013

Section 515

Section 538

Year	Number of New Construction Units	Total Loan Dollars*/**	Number of New Construction Units	Total Dollars Guaranteed*/**	Section 515 Share of Combined New Units	Section 515 Share of Combined Obligations
1996	1,913	\$151,009,240	450	\$16,180,642	80.96%	90.32%
1997	2,468	\$152,497,187	813	\$28,127,520	75.22%	84.43%
1998	2,520	\$149,352,849	1,110	\$39,687,337	69.42%	79.01%
1999	2,007	\$114,348,812	2,540	\$74,817,095	44.14%	60.45%
2000	1,576	\$113,790,706	2,970	\$99,660,030	34.67%	53.31%
2001	1,621	\$114,069,532	84	\$1,197,600	95.07%	98.96%
2002	2,080	\$118,381,784	2,745	\$109,840,463	43.11%	51.87%
2003	826	\$115,052,535	2,581	\$101,751,687	24.24%	53.07%
2004	902	\$115,857,375	2,611	\$99,399,928	25.68%	53.82%
2005	783	\$99,200,000	2,878	\$99,199,000	21.39%	50.00%
2006	486	\$99,000,000	2,884	\$99,000,000	14.42%	50.00%
2007	557	\$98,999,999	2,525	\$92,106,175	18.07%	51.80%
2008	805	\$69,927,000	2,853	\$132,381,409	22.01%	34.56%
2009	743	\$67,888,393	2,248	\$132,614,564	24.84%	33.86%
2010	626	\$68,130,133	2,163	\$129,707,606	22.45%	34.44%
2011	763	\$69,215,130	529	\$32,352,940	59.06%	68.15%
2012	0	\$59,481,255	1,364	\$104,255,495	0.00%	36.33%
2013	0	\$29,134,660	1,267	\$52,226,602	0.00%	35.81%
Totals	20,676	\$1,805,336,590	34,615	\$1,444,506,093	37.39%	55.55%

* Total dollars includes new construction and repair loans

** Dollars not adjusted for inflation

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



Rental Assistance Funding Inadequate To Cover Expiring Contracts.

190,697 USDA Rental Assistance units obligated in FY 2013 representing \$837 billion.

15,500 fewer units/\$67.6 million less than in FY 2012.

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



Rental Assistance Funding Inadequate To Cover Expiring Contracts.

Rental Assistance contracts expiring in September 2013 could not be renewed because the Agency had exhausted its funding.

A significant amount of the shortfall was due to the sequestration/rescission of funds.

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



- *Sequestration is Not the Only Issue Creating Challenges for Rental Assistance.*

Before FY 2008, USDA provided Rental Assistance through multiyear contracts.

For many years, Rental Assistance contracts were written for 20 years.

The contract lengths changed several times over the years to shorten the terms as project rents increased.

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



- *Sequestration is Not the Only Issue Creating Challenges for Rental Assistance.*

As the multiyear contracts spent down the available funding, the number of units requiring annual renewals increased. During FY 2013, about 30 percent of the units were able to continue operations from these funds.

For FY 2014 and beyond, more and more units will require annual funding.

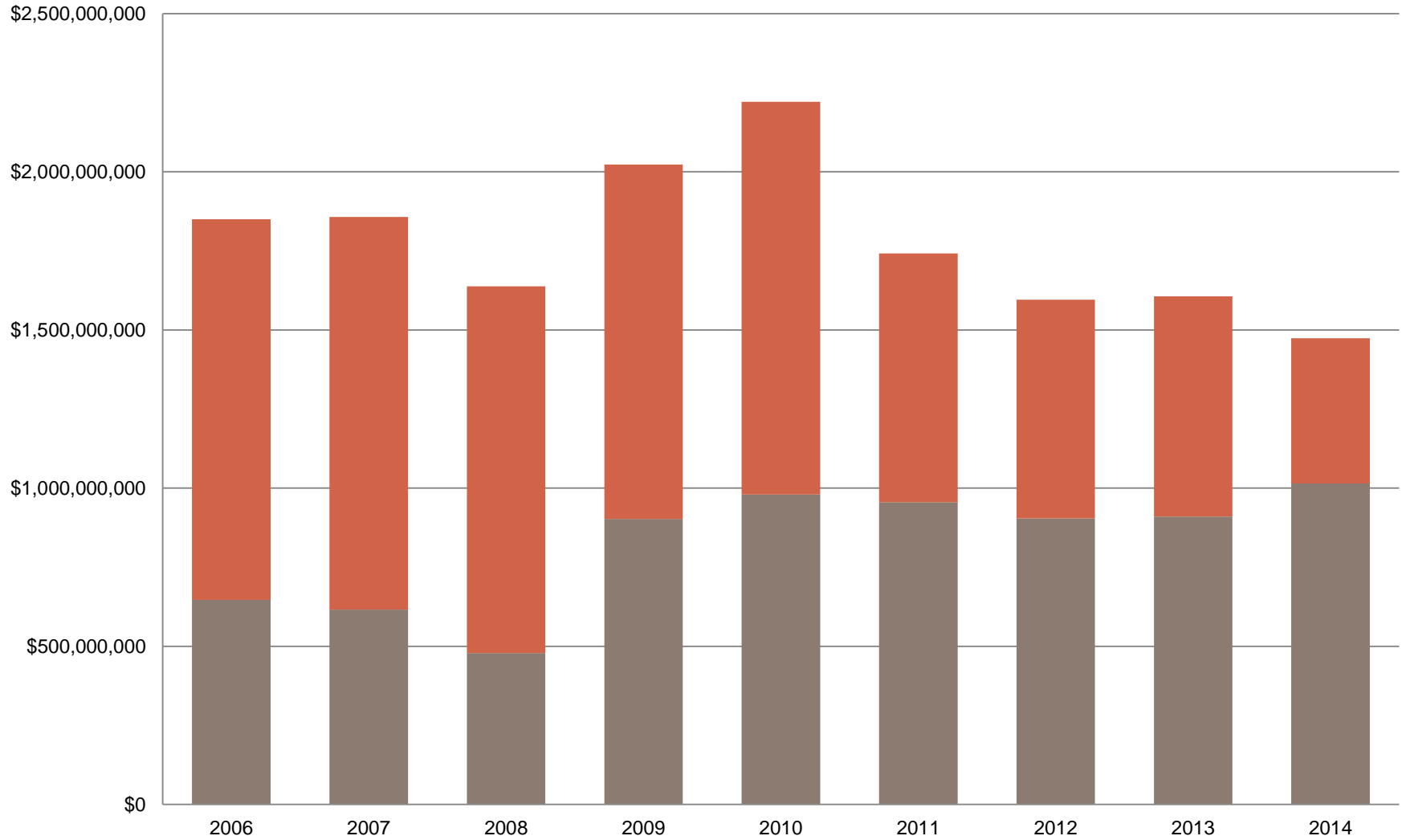
Based on 2013 averages, this will eventually increase the need for Rental Assistance funding by about \$160 million per year.

USDA Rural Development Rental Assistance Obligations FY 2006 - 2014

	Fiscal Year	RA Units Funded	Dollar Obligations	Average Cost per Unit	Contract Term In Yrs
Actual	2006	43,597	\$646,570,837	\$3,708	4
Actual	2007	83,111	\$616,020,000	\$3,706	2
Actual	2008	121,568	\$478,815,366	\$3,939	1
Actual	2009	210,618	\$902,496,468	\$4,285	1
Actual	2010	219,037	\$978,779,659	\$4,469	1
Actual	2011	218,494	\$953,709,786	\$4,365	1
Actual	2012	206,217	\$904,652,994	\$4,387	1
Estimate	2013	190,697	\$837,053,728	\$4,389	1
Projected	2014	230,693	\$1,015,050,000	\$4,400	1

Source: HAC Tabulations of RD Data

Rental Assistance Vs Funding for All Ongoing RD Programs By Fiscal Year



Source: HAC Compilations of USDA Congressional Budget Justifications

■ Rental Assistance
■ All Other Ongoing Programs

Dollars Not Adjusted for Inflation

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



Rental Assistance Funding

Through the end of FY 2013, the Section 521 Rental Assistance program has provided over \$18 billion to help very low-income tenants to afford their monthly rental costs in RD financed multifamily housing units.

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



- *Multifamily Housing Vouchers Are Concentrated.*

USDA issued approximately 3,842 Section 542 Multifamily Housing Vouchers, to very low-income renters in rural areas.

Although vouchers were issued in 47 states, more than two-thirds of them were located in 14 States.

MULTIFAMILY HOUSING PROGRAMS HIGHLIGHTS



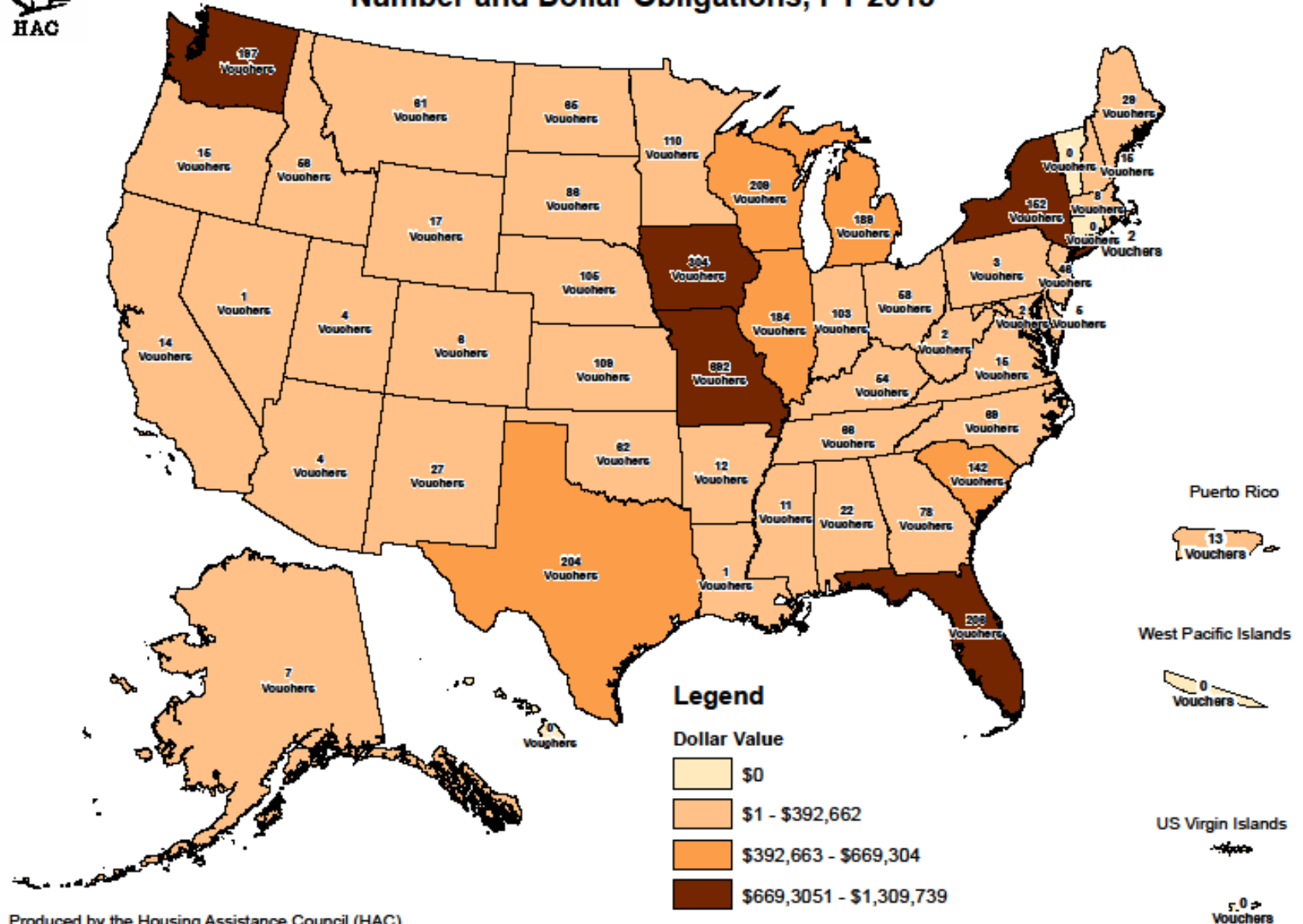
- *Multifamily Housing Vouchers Are Concentrated.*

USDA published a proposed rule in August 2013 to implement the Rural Development Voucher Program (RDVP). To date, the voucher program has been conducted on a demonstration basis.

Vouchers are intended to protect eligible multi-family housing tenants who were living in Agency financed Section 515 Rural Rental Housing properties when the loan was paid off early (prepayment) which may subject the tenant to economic hardship.



USDA Multifamily Housing Tenant Vouchers, Number and Dollar Obligations, FY 2013



Produced by the Housing Assistance Council (HAC)
Source: HAC Tabulation of USDA-RD Report Data

USDA Rural Housing Obligations, Fiscal Year (FY) 2013

Program	Dollars Obligated	Loans/ Grants	Estimated FY 2013 Appropriation Level*	Percent of Funds Obligated	Estimated Remaining Funds*
Section 502 Direct Loans	\$827,165,231	7,111	\$840,089,631	98.5%	\$12,924,400
Section 502 Guaranteed Loans	\$22,350,462,183	162,943	\$24,000,000,000	93.1%	\$1,649,537,817
Section 504 Repair & Rehabilitation Loans	\$14,335,067	2,412	\$27,148,121	52.8%	\$12,813,054
Section 504 Repair & Rehabilitation Grants	\$27,167,965	4,594	\$26,800,575	101.4%	-\$367,390
Section 509-C Compensation for Construction Defects	\$0	0	\$400,985	NA	NA
Section 509/525 Technical Assistance Grants	\$0	0	\$0	NA	NA
Section 514 Farm Labor Housing Loans	\$18,880,633	16	\$20,800,000	90.8%	\$1,919,367
Section 515 Rental Housing Loans	\$29,134,660	42	\$31,300,000	93.1%	\$2,165,340
Section 516 Farm Labor Housing Grants	\$8,840,682	8	\$7,100,000	124.5%	-\$1,740,682
Section 523 Self-Help Housing Grants & Contracts	\$31,382,662	50	\$27,678,428	113.4%	-\$3,704,234
Section 523 Self-Help Site Loans	\$0	0	\$5,000,000	0.0%	\$5,000,000
Section 524 Site Loans	\$0	0	\$0	NA	\$0
Section 533 Housing Preservation Grants	\$4,086,220	96	\$4,248,836	96.2%	\$162,616
Section 538 Guaranteed Rental Housing Loans	\$52,226,602	39	\$150,000,000	34.8%	\$97,773,398
Section 306 Water & Waste Disposal Grants	\$137,712	29	\$500,000	27.5%	\$362,288
SFH & MFH Credit Sales	\$652,940	12	Not Available	NA	NA
Multifamily Preservation & Revitalization (MPR) Loans	\$20,865,150	32	Not Available	NA	NA
Multifamily Preservation & Revitalization (MPR) Grants	\$154,990	3	\$17,800,000	0.9%	\$17,645,010
Loan and Grant Totals:	\$23,385,492,697	177,387			
Section 521 Rental Assistance	\$837,053,728	190,697	\$837,053,735	100.0%	\$7
Section 542 Rural Housing Vouchers	\$13,192,485	3,842	\$9,493,807	139.0%	-\$3,698,678
<i>Source : HAC Tabulations of RHS 205 Report Data, Appropriation Act Language, and RD NOFAs</i>					
<i>* FY 2013 Appropriation levels are estimated based on best information available. Actual funding may be different due to prior year carry over (grants only) or flexible funding authority (for example, the Farm Labor Housing funding can be transferred between loan and grant programs)</i>					

USDA Rural Housing Program Budget



USDA Rural Development Programs Levels (dollars in millions)	FY13 Approp. ^a	FY14 Approp.	FY15 Admin. Budget
502 Single Family Direct	\$900	\$900	\$360
Self-Help set-aside	5	5	0
502 Single Family Guar.	24,000	24,000	24,000
504 VLI Repair Loans	28	26.3	26.3
504 VLI Repair Grants	29.5	28.7	25
515 Rental Housing Direct Loans	31.3	28.4	28.4
514 Farm Labor Housing Loans	20.8	23.9	23.9
516 Farm Labor Housing Grants	7.1	8.3	8.3
521 Rental Assistance	907.1	1,110	1,089
Preservation RA set-aside	0	0	0
New Construction 515 RA set-aside	0	0	0
New Construction 514/516 RA set-aside	3	0	0
523 Self-Help TA	30	25	10
533 Housing Preservation Grants	3.6	3.5	0
538 Rental Housing Guar.	150	150	150
Rental Preservation. Demo. (MPR)	17.8	20	20
Rental Preservation Revitalization Grants/Loans	0	0	0
542 Rural Housing. Vouchers	10	12.6	8
Rural Community. Development Initiative	6.1	6	0

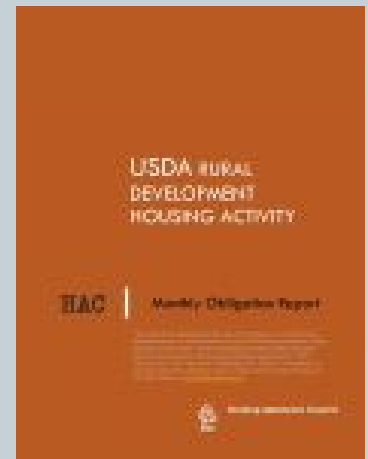
^a Figures shown do not include 5% sequester or 2.5% across the board cut.

FOR MORE INFORMATION ON USDA RURAL HOUSING OBLIGATIONS



- Additional information can be found in HAC's comprehensive report:

***USDA Rural Development
Housing Programs:
FY 2013 Year-End Report.***



<http://ruralhome.org/information-and-publications/rural-development-obligations/rd-obs/762-fy13-rd-year-end-report>

ADDITIONAL HAC PUBLICATIONS ON USDA RURAL HOUSING OBLIGATIONS



- USDA Rural Development Obligations (Monthly)
<http://ruralhome.org/information-and-publications/rural-development-obligations/rd-obs>
- USDA Rural Development Historic Obligation Activity.
<http://ruralhome.org/information-and-publications/rural-development-obligations/rd-data-gen/189-historic-activity>
- Map of Current USDA-RD Eligible Areas.
http://www.ruralhome.org/storage/rhs/rd_eligible_area_map.pdf

Wrap Up



Materials from today's webinar and the recording will be available on HAC's website.

www.ruralhome.org

