NATIONAL RURAL HOUSING COALITION

May 25, 2012

To The Editor:

Ruth Simon's recent article ("USDA Is a Tough Collector When Mortgages Go Bad," May 25, 2012) raises serious concerns about USDA's debt collection practices. In our opinion, however, two conflicting statutes have led to this problem. The Housing Act of 1949 provides USDA with substantial authority to aid borrowers in distress, while the Debt Collection Act authorizes the agency to aggressively recover taxpayer money. As the article demonstrates, at least in some cases, the agency has not sorted out these responsibilities in favor of the borrower.

While we believe that USDA should do a better job of assisting borrowers who have fallen behind in these very difficult economic times, this issue should not obscure that fact that the Section 502 program has been extremely successful in serving families with modest means in America's small towns and farming communities. USDA borrowers simply could not gain access to decent, affordable housing without direct homeownership loans provided by USDA.

Over its history, some 2 million rural families have received loans from USDA to build, acquire, and repair a home. The families who borrow under this program are among the poorest of all those receiving some form of federal assistance to own a home, with an average annual income of $27,000.

While Ms. Simon notes the default and foreclosure rate of the Section 502 direct program, she fails to put this figure in context. First, it is well known that the unemployment rate is too high, with the rural rate even higher than the national, and when people with limited means lose their job they often fall behind on their mortgages. While this is true for families with USDA mortgages, USDA's loan program – in terms of delinquency and foreclosure -- performs on par or better than other loan portfolios serving higher income borrowers.

The Section 502 Direct Loan program significantly outperforms the private subprime market. Despite serving borrowers with lower incomes, only 5 percent of Section 502 Direct borrowers are currently in foreclosure, compared to 14.45 percent in the private market. Likewise, the Section 502 program has a significantly lower delinquency rate. Only 12 percent of Section 502 borrowers are delinquent, compared to 21 percent of private market subprime borrowers.

Likewise the Section 502 Direct Loan program performs on par with other federal direct lending programs, including the Federal Housing Administration. While Section 502 Direct Loan borrowers earn less than 80 percent of the area median

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income, the FHA program has no income limits. Yet, the programs' combined foreclosure and delinquency rates are substantially similar at 16 and 17 percent, respectively.

Sincerely,

Robert A. Rapoza
Executive Secretary