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Testimony before the Appropriations Subcommittee on Agriculture,
Rural Development, Food and Drug Administration, and Related Agencies
U.S. House of Representatives
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On behalf of Rural Housing Development Corporation (RHDC), I would like to thank the Subcommittee for the opportunity to submit testimony on Fiscal Year 2015 Appropriations for two of Department of Agriculture (USDA) Rural Housing Programs. I strongly urge this Subcommittee to fund USDA Rural Housing programs at: (1) \$900 million for Section 502 Direct Homeownership Loans; and (2) \$30 million for Section 523 Mutual Self-Help Housing Program.

RHDC is a non-profit affordable housing organization in Utah. Since 1998, RHDC has promoted affordable housing opportunities to low-income families living in Central Utah. Three hundred and twenty-two (322) single family homes have been built through USDA's Mutual Self-Help Housing program using the 502 loan in Central Utah and 1,275 homes have been built across the state of Utah.

About the Mutual Self-Help Housing Program

The Mutual Self-Help Housing program takes the rural tradition of barn-raising and puts it to use for families who, after working all day and all week, spend their nights and weekends building their own home. It is a model of how low-income families help themselves through sweat equity. Without the opportunity, many of these families would never own their own home. Consider the West family in Utah, a low-income family of 5 (3 children ages 5, 3 and 1),

who have lived in a 2-room log cabin built in the 1880's. The cabin measures 21 x 26 feet, which is very similar to a two-car garage. In their own words:

“While we enjoy the “coziness” of our home, it does present some challenges. The cabin is not well insulated. We can feel the wind through the single-paned windows and cracks throughout the house. Big rainstorms cause leaks. Other than weather problems, we are not sure which we have the most of living in the walls of our home: bees, spiders or mice. Our home is on a cinderblock basement built into a dike constructed to control the flooding of the river in the 1980's. Because of our close proximity to the river and lake we have had to face additional challenges. This year the ground water is so high it fills the septic tank causing the sewer to back up. The high water flow in the river also caused the water to seep through the cracks in our basement floor. At the highest point we had almost 2” of standing water. Even though the water level has recently dropped, we are left with the challenge of the profuse growth of mold. Every summer we have a mold problem in the basement. However, this year with the flooding, the mold is 100% worse. This makes us concerned for our family's health.

Unfortunately for us, moving is not an option at this time. For these reasons we are telling you our story – not to complain, but to ask you for the much needed financial assistance in purchasing a new healthy home for our family under the Self-Help Housing Program. We cannot better our situation without your help.”

Families like the West family have found refuge in building their own home and for that reason, take great care in the homes they have a major stake in. Of the nearly 1,300 homes built in Utah, there is a foreclosure rate of under two percent. The 502 Direct Loans used to finance these homes are paid back with interest and are perpetuated for future families.

Economic Impact

The economic impact in Utah has been substantial; it is anticipated that during 2014 and 2015, the Mutual Self-Help Housing program would bring Utah's economy approximately \$40,000,000. The program also creates employment opportunities in rural areas; each year in Utah, over 320 jobs are created for subcontractors, suppliers, realtors, land developers, etc. (does not include USDA –RD Staff or Self-Help organizations).

The Section 502 program provides loans to low- and very-low income families at a low cost to the government, and as mentioned, has a very low foreclosure rate. Sixty percent of the families borrowing direct loans from USDA have incomes at or below 60% of the area median income.

Some contend that the 502 Guarantee Loan program can assist families who are now receiving direct loans. There is ample evidence to the contrary; including an Economic Research Service report indicating that the guarantee loan program does not work as well in smaller, more isolated communities. Nor does the Guarantee Loan product have a track record of serving households with incomes at 60% AMI or less, while the direct loan program does. Only the Section 502 Direct Loan program can provide homeownership opportunities for many of the current work force in rural areas, who struggle to find affordable rental housing that is both safe and adequate for their family size. The loss of this program will also destabilize rural workers, negatively impacting rural employers.

I ask that the Subcommittee look at ways to fund USDA Rural Housing programs at: (1) \$900 million for Section 502 Direct Homeownership Loans; and (2) \$30 million for Section 523 Mutual Self-Help Housing Program.

I appreciate your consideration of this request.