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Statement for Record for the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
March 23, 2015

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to submit testimony on Fiscal Year 2016 (FY16) Appropriations for Department of Agriculture (USDA) Rural Housing Programs. Below are the recommendations of the National Rural Housing Coalition (NRHC), a national membership organization made up of housing developers, non-profit housing organizations, state and local officials, and housing advocates.

For FY16, we urge the Subcommittee to fund USDA Rural Housing programs at the higher of FY15 levels or the President's FY16 Budget Request. In particular, we support appropriations for rural housing programs that will provide at least: (1) \$900 million for Section 502 Direct Loans; (2) \$30 million for Section 523 Self-Help Housing Program (3) \$23.9 million for Section 514 Farm Labor Housing Program Loans; (4) \$8.3 million for Section 516 Farm Labor Housing Program Grants; (5) \$42 million for Section 515 Rural Rental Housing Program; (6) \$1.172 billion for Section 521 Multi-Family Rental Housing Rental Assistance Program; (7) \$34 million for the Multi-Family Housing Preservation and Revitalization Program; and (8) \$4 million for the Rural Community Development Initiative.

Housing Needs in Rural America

In 2014, NRHC reissued a report on the success of USDA's rural homeownership programs, titled "Opening Doors to Rural Homeownership¹." The report highlights (1) the success of Section 502 Direct Loans in getting rural families into decent housing at a very low



cost to the federal government and (2) how families work nights and weekends to build their own homes through the Mutual Self-Help Housing program. For many rural families of modest incomes, rural housing programs such as Section 502 Direct Loans and Mutual Self-Help Housing are an important—and in many cases, the only—means of gaining decent, affordable housing and building wealth.

There remains a substantial need for rural housing assistance across our nation’s small town and farming communities. While homeownership is still the predominate type of housing available in rural America, rural housing is much more likely to be substandard than in urban areas. In fact, six percent of rural homes are either moderately or severely substandard, often with leaking roofs, or inadequate plumbing or heating systems. Some eight million rural families pay more than 30% of income for housing and nearly half of these families pay more than 50% of income for shelter. Rural median incomes (\$41,198) are about 20 percent lower than the national median income (\$51,017). Rural communities are four times more likely than urban areas to have at least 20 percent of their population living in poverty. More than 86 percent of the nation’s “persistently poor” counties are rural.

In its 2013 reportⁱⁱ, the Bipartisan Policy Center Commission on Housing issued strong, bipartisan support for the U.S. Department of Agriculture’s (USDA) Rural Housing programs, recognizing the critical role these programs play in meeting the unique challenges to affordable housing in rural America and the very low cost to the government to operate them.

USDA Rural Housing Programs

Section 502 Single-Family Direct Homeownership Loans: Over 60 years, the Section 502 Direct Loan Program has helped more than 2.1 million families realize the American Dream and



build their wealth. Demand for Section 502 Direct Loans continues to outpace supply with an average 12,500 loan applications totaling over \$1.5 billion on the program’s waiting list. Section 502 Direct Loans is the *only* federal homeownership program that is *exclusively targeted* to very low- and low-income rural families. By law, at least 40 percent of Section 502 funds must be used to assist families earning less than 50 percent of the area median income. The average Section 502 Direct Loan borrower earns less than \$28,000 a year. Despite serving families with limited economic means, Section 502 is the *single, most cost-effective federal housing program*, period. On average, each Section 502 loan costs about \$7,000 *over its entire lifetime*. This is less than the annual cost of other federal housing programs.

The Section 502 Direct Loan program provides homeownership opportunities to rural families that other federal programs and the private market simply cannot reach. Because the program offers subsidized interest rates—as low as 1%—and longer loan terms—up to 38 years—Section 502 Direct Loans can reach poorer, more remote rural communities.

Section 523 Mutual Self-Help Housing: The Self-Help Housing program adapts the rural tradition of barn-raising to provide housing opportunities for families with limited economic means. This year, the program will reach an important milestone of serving 50,000 rural families over its 50-year history. Between 2010 and 2014, some 5,200 families have been able to realize the American Dream because of this program. This construction has led to 16,848 jobs, \$1.1 billion in local income, and \$114.4 million in taxes and revenue in rural communities across the country. Self-Help Housing is the *only* federal program that combines “sweat equity” homeownership opportunities with technical assistance and affordable loans for America’s rural families. Self-Help Housing families work nights and weekends to provide 65 percent of the



construction labor – frequently amounting to more than 1,000 hours – on their own and each other’s homes. In doing so, families earn equity, decrease construction costs, and make lasting investments in their community. The hallmark of the Self-Help Housing program is its emphasis on hard work, self-reliance, and community. This program is *exclusively targeted* to very low- and low-income families who are otherwise unable to access decent housing. Over half of the participants are minorities. Although these families have lower incomes, default rates are significantly lower than other borrowers.

Section 515 Rural Rental Housing: Section 515 was once the *principal source* of financing for rental housing in rural communities. Today, more than 400,000 families live in housing financed by Section 515. Rental units developed with Section 515 loans are *exclusively targeted* to very low-, low-, and moderate-income families, the elderly, and persons with disabilities. A vast majority –94 percent– of Section 515 tenants have very-low incomes. The average yearly income is only \$11,000. Some 57 percent these households are elderly or disabled, 26 percent are headed by persons of color, and 73 percent are headed by women.

NRHC’s 2014 report, “*Rural America’s Rental Housing Crisis*” found that Section 515 plays a critical role in attracting housing development resources—including the Low Income Housing Tax Credit—to rural communities. While LIHTC is an important source of financing, it alone cannot provide adequate subsidies to finance housing in many rural communities. Without the ability to be paired with Section 515, LIHTC often cannot keep rents low enough to serve rural America’s most vulnerable residents. This is why cuts to the Section 515 program—amounting to 95% from 1987 (\$555M) to 2014 (\$28.4M)—have been particularly harmful. As a



result, the percentage of LIHTC-financed housing units in rural areas has dropped from 24% to only 7.5%.ⁱⁱⁱ

Section 514/516 Farm Labor Housing: The Section 514/516 Farm Labor Housing Loan and Grant program is the only nationwide program targeted to the housing needs of migrant and seasonal farmworkers. Over the history of the program, USDA has in to finance some 38,000 units. The current funding levels--\$23.6M for loans and \$8.3M for grants—are not nearly enough to address the tremendous need for decent, affordable housing. Farmworkers have the worst housing needs of all rural people. According to the National Agricultural Workers Study, farmworkers are twice as likely to live in poverty as other Americans. Many are forced to live in substandard, crowded, and unsanitary conditions. In fact, the rate of substandard farmworker housing is 6 times greater than the rate for all rural households.

Conclusion

Providing adequate funding for USDA Rural Housing programs is essential to efforts to improve the quality of life and economic opportunity in rural America. These programs are all part of the toolbox that USDA employs address the shortfall in decent, clean, and affordable housing in these communities. For a very small fraction of the USDA's budget, Congress can provide affordable rental and homeownership opportunities to thousands of rural families with limited means and boost flagging economies in small communities.

Thank you for the opportunity to submit testimony.

ⁱ <http://ruralhousingcoalition.org/wp-content/uploads/Opening%20Doors%20to%20Rural%20Homeownership.pdf>

ⁱⁱ http://bipartisanpolicy.org/wp-content/uploads/sites/default/files/BPC_Housing%20Report_web_0.pdf

ⁱⁱⁱ http://ruralhousingcoalition.org/wp-content/uploads/2014/07/NRHC-Rural-America-Rental-Housing-Crisis_FINALV3.compressed.pdf