NATIONAL RURAL HOUSING COALITION

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October 27, 2014

Hon. Tom Vilsack
Secretary of Agriculture
Washington, DC 20250

Dear Mr. Secretary:

I write to express our continued concern about the apparent inability of the Administration to adequately administer rural housing programs. In recent years, we have been dismayed by USDA's management of rural housing programs in general and especially the delivery of Section 502 Direct Homeownership Loans and Mutual and Self Help Housing grants. The Department's performance in Fiscal Year 2014 (FY14) heightens our concern.

No one would contend that low income, rural families have enough decent, affordable housing or that rural communities do not need the jobs and additional tax revenue that comes from an injection of mortgage funds. Yet, USDA closed FY14 with over $100 million in direct loans for homeownership and home repair unspent.

There is always a substantial backlog of loan applications for Section 502 Direct Homeownership Loans. FY14 was no different than previous years: low income, rural families need better housing.

The National Rural Housing Coalition (NRHC) is not alone in contending that Section 502 Direct Loans work. Members of Congress from both parties and outside interests—including the Bipartisan Policy Center Housing Commission—have praised Section 502 as the best, most cost-effective way to improve housing conditions in rural America.

Undeterred, this Administration continues to propose budgets that decimate Section 502 Direct Loans and then, after Congress rejects these wrong-headed requests, USDA devotes little time, attention, and administrative support to improving program delivery. In FY13, USDA made the lowest number of Section 502 Direct Loans in the history of the program. The number for FY14 is even lower.

We acknowledge that efforts are underway to improve staffing and technology. However, implementation of these improvements must accelerate. Our members report that in many states, processing times for Section 502 Direct Loans are still on the rise. The message from the Department on the importance of direct loans must be loud and clear. For that reason, we recommend that USDA set a national processing standard for Section 502 Direct Loans: review and approval of all complete loan packages within 30 days of receipt and close all loans within 60 days of approval.

We also urge the Department to fully embrace the pilot program designed to improve packaging and speed loan processing.

The neglect and inadequate administration of the Mutual Self Help Housing program is equally disturbing. This program serves the lowest income families receiving Section 502 loans. Families who participate in Self Help Housing not only build their own home, but the savings achieved through their sweat equity allows them to build wealth.

Inexplicably, the Administration's FY15 budget proposed a 60 percent reduction in appropriations for Mutual Self Help Housing. USDA's Rural Housing Service followed with a plan to reduce all FY14 grant renewals by 10 percent. The stated reason was that the amount available—$25 million in FY14 funds and approximately $3 million in funds carried over from FY13—was insufficient to fund all the grants and contracts expiring during the fiscal year.

NRHC argued that this arbitrary and indiscriminate reduction was unwise, at the very least premature, and probably unnecessary. Mutual Self Help Housing grant obligation rates are contingent on processing of Section 502 Direct Loans for participating families. With the slow pace of loan processing in FY14, Mutual Self Help Housing spending rates were also likely to fall.

In the end, USDA obligated only $18 million, leaving over $9 million unspent. The only results of the 10 percent reduction are fewer families gaining better housing and a chilling of interest in Mutual Self Help Housing. If the goal was to diminish the Mutual Self Help Housing program—mission accomplished.

We urge the Department to take immediate steps to reinvigorate the Mutual Self Help Housing Program. This should include restoring the 10 percent reduction applied to grants renewed in FY14, as well as allowing successful organizations to increase their grants and encouraging new organizations to apply for funding.

There is no question that both Section 502 Direct Loans and Mutual Self Help Housing are effective programs that improve both people's lives and communities. Despite this, for no apparent reason, the Administration treats both as almost an afterthought, something to reduce, diminish, and eventually eliminate.

We are extremely disappointed. We urge you to carefully consider the recommendations in this letter. We know USDA can do better.

Thank you for your attention to this matter.

Sincerely yours,

Robert A. Rapoza
Executive Secretary