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On behalf of Housing Development Alliance, Inc. and the communities we serve, I wish to thank the Subcommittee for the opportunity to submit testimony on Fiscal Year 2013 Appropriations for the Department of Agriculture (USDA) Rural Housing Programs. I urge this subcommittee to fund USDA Rural Housing's Section 502 Single Family Direct Loan Program at \$900 million (the FY2012 level); Section 504 Very-Low Income Rural Housing Repair Loans at \$28 million; and Section 504 Very-Low Income Rural Housing Repair Grants at \$29.5 million.

Housing Development Alliance, Inc. (HDA) serves Perry, Knott, Leslie and Breathitt Counties in Kentucky. These are among four of the poorest counties in the nation with poverty rates ranging from 24% to over 33%. In these 4 counties over 12,650 households have annual incomes of less than \$25,000 including over 5,100 households with incomes less than \$10,000. Furthermore, these counties suffer from persistent poverty (having more than 20% of population in poverty for more than 5 decades) which has resulted in a poor housing stock and a broken housing market. In short, our community has a critical need for safe, decent and affordable housing.

Since 1996, the Housing Development Alliance has constructed 90 new homes which were sold to qualified low and very-low income homebuyers who received financing through the Section 502 Single Family Direct Loan Program. In this same period, the Housing Development Alliance has repaired nearly 180 homes using Section 504 Loan and Grants. These programs often serve the poorest of the poor. In fact, the average annual income of our Section 502 Direct

Loan homebuyers was \$14,252 and the average annual income of our Section 504 Loan and Grant repair client was \$10,660 per year.

In many cases the living conditions of the households prior to receiving assistance are deplorable. These homes often lack an adequate heat source; have little or no insulation; often have major structural defects including collapsing foundations, rotting floors and walls and leaking roofs; have unsafe electrical wiring; and lack complete plumbing. For example recently the Housing Development Alliance encountered an elderly woman whose gas water heater was spewing potentially deadly levels of carbon monoxide into her home and another elderly woman whose tub/shower was not hooked to the sewer and was draining directly under her home.

However, the benefits of these programs are not limited to just to the households purchasing the new home or receiving the affordable home repair. The programs provide jobs and other needed economic activity to our community. For example, in 2011 the constructed 7 homes financed in part by the Section 502 Single Family Direct Loan Program. Using the National Association of Home Builders' estimate that each home constructed creates/preserve 3 construction job per year, in 2011 the Housing Development Alliance's use of Section 502 Direct Loans created/preserved 21 construction jobs. Even more jobs were created/preserved through our use of the Section 504 Repair Loans and Grants which funded 14 home repairs. While these numbers may seem modest, as they are repeated in rural communities throughout America these programs have a huge impact on jobs in rural America.

Furthermore the Section 502 Single Family Direct Loan Program is the most cost effective federal housing program. Despite serving low and very-low income households, the average **lifetime cost** of a Section 502 Single Family Direct Loan is just \$7,200 while the average cost of Section 8 Housing Assistance is nearly \$7,000 **per year**. This low cost is due in part to the fact

that Section 502 Direct portfolio maintains an excellent repayment history with a foreclosure rate of just over 4%.

The administration and others have suggested that the Section 502 Guarantee Program is a suitable alternative to the Section 502 Direct Loan Program; this is simply not true in our community. We completed a study of our 502 Direct Loan Program recipients and found that only 1 out of 10 would have been able to afford the higher interest cost associated with a Section 502 Guarantee Loan.

Thank you again for the opportunity to provide testimony on the critically important programs. Without adequate funding for these programs low income households will remain trapped in substandard, if not outright deplorable, housing and construction and other related jobs will be lost across rural America.