



**Robert A. Rapoza**  
**Executive Secretary**

**National Rural Housing Coalition**

Testimony before the Appropriations Subcommittee on Agriculture, Rural Development, Food  
and Drug Administration, and Related Agencies

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On behalf of the National Rural Housing Coalition (NRHC), I would like to thank the Subcommittee for the opportunity to submit testimony on Fiscal Year 2013 Appropriations for Department of Agriculture (USDA) Rural Housing Programs. I strongly urge this Subcommittee to fund USDA Rural Housing programs at the higher of FY12 levels or the President's FY13 Budget Request: (1) \$900 million for Section 502 Family Direct Homeownership Loans; (2) \$28 million for Section 504 Very-Low Income Rural Housing Repair Loans; (3) \$29.5 million for Section 504 Very-Low Income Rural Housing Repair Grants; (4) \$26 million for Section 514 Farm Labor Housing Program Loans; (5) \$9 million for Section 516 Farm Labor Housing Program Grants; (6) \$64.5 million for Section 515 Rural Rental Housing Program; (7) \$907 million for Section 521 Multi-Family Rental Housing Rental Assistance Program; (8) \$30 million for Section 523 Self-Help Housing Program; (9) \$3.6 million for Section 533 Housing Preservation Grants Program; (10) \$150 million for Section 538 Guaranteed Multi-Family Housing Loans; (11) \$46.9 million for the Multi-Family Housing Preservation and Revitalization Program; and (12) \$13 million for the Rural Community Development Initiative.

NRHC is a national membership organization consisting of housing developers, non-profit housing organizations, state and local officials, and housing advocates. Since 1969, NRHC has promoted and defended the principle that rural people have the right, regardless of income, to a decent, affordable place to live, clean water, and basic community services.



## Housing Needs in Rural America

Even in strong economic times, the needs of rural America are too often overlooked. And, although our most recent economic crisis pushed these many of these communities to the brink, their needs continue to be neglected by the mainstream media, traditional sources of capital, and federal policymakers. For example, although nearly 20 percent of the population lives in rural communities, other federal agencies consistently overlook their unique housing needs; less than 7 percent of the Federal Housing Administration assistance, 10 percent of Veterans Affairs programs, and 12 percent of Section 8 Rental Assistance serves rural areas.

Rural communities have severe housing and development needs. With some of the nation's lowest incomes, rural communities are 4 times more likely to have at least 20 percent of their population living in poverty. About 98 percent of "consistently poor counties" are rural, as are nearly all communities with inadequate drinking water. As a result, rural families are far more likely to live in substandard housing or be overburden by rent. Housing in rural America is simply too expensive relative to household income, overcrowded, or lacks certain basic facilities.

Despite the overwhelming need for safe, clean, and affordable housing in rural America, Congress has consistently cut funding for the very programs specifically tailored to meet this need. And now, President Obama has proposed significant cuts to the Section 502 Direct Loan and Self-Help Housing programs, and the elimination of the Section 515 Rural Rental Housing program. Because these programs overwhelmingly serve our most vulnerable residents—lower-income families, the elderly, and persons with disabilities, these cuts will only make it harder for low-income, rural Americans to access safe, decent, affordable housing. As such, I would like to focus my testimony on how these programs are critical to meeting the needs of rural families.



### 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 by more than \$40 billion. Despite the program's success, demand for Section 502 loans continues to outpace supply. Over 25,000 loan applications—amounting to more than \$2 billion— are currently on Section 502 waiting lists.

No other federal home ownership program can match the profile of the families served under Section 502. It 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. Two-thirds borrowers have incomes less than 60 percent of AMI, with an average income less than \$27,000.

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 less than \$7,200 *over its entire lifetime*. Compare that to the average Section 8 Housing Assistance payment, which costs taxpayers nearly \$7,000 *each year*.

Although some have suggested that the Section 502 Guarantee Program can serve as an adequate alternative, this is simply untrue. Unlike the Direct Loan program, the Guarantee program overwhelmingly serves higher-income individuals—with an average income of nearly twice that of Direct Loan families—leaving rural communities with the greatest credit needs without any alternative. Even the USDA has held that the guarantee program is the worst-targeted of all its rural development guarantees, with loans going to larger, wealthier communities. Likewise, the guarantee program does not provide interest rate subsidies. This defect will become even more harmful when interest rates return to normal levels.



### 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. Through this program, more than 3,500 families have been able to realize the American Dream in the past three years. This construction has led to over 11,000 jobs, more than \$738 million in local income and \$77 million in taxes and revenue in rural communities across the country. If the President's budget is approved by Congress, Self-Help Housing will be cut to its lowest funding in more than 30 years, decimating the network of over 100 Self-Help organizations over 37 states and deserting 50,000 families currently on their waiting lists.

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 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 is the *principal source* of financing for rental housing in rural communities. Today, more than 500,000 families live in housing financed by Section 515. If approved by



Congress, the President's budget will end a 40-year effort to improve the quality of rural housing, leaving seniors, low-income families, and those with disabilities even more vulnerable.

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.

Demand for affordable, rural rental housing continues to outpace supply. More than 7.8 million rural residents—including 19 percent of all rural children—live in poverty. Almost 1 million rural renters live in substandard housing. Yet, despite its success and increased demand, Section 515 funding has been cut drastically, stalling the production of new units and the preservation of existing ones.

### **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 this opportunity to submit this statement.