

NATIONAL RURAL HOUSING COALITION

1331 G Street, N.W., 10th Floor, Washington, DC 20005 • (202) 393-5225 • fax (202) 393-3034 • <http://ruralhousingcoalition.org/>

2013 Impact Survey

Results and Analysis

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Introduction

Today, rural America faces several barriers to clean, decent, and affordable housing. Far too many low-income rural families find that their housing options are simply too expensive, are of poor quality, or are inaccessible. Because of higher, more persistent levels of poverty and limited access to affordable mortgage credit, rural communities often struggle to meet the housing needs of its residents.

In addition, many rural communities have severely limited access to a clean and affordable water supply and are considered to live in “water poverty.”

In response to these unique challenges, nonprofit rural housing organizations have become an increasingly important vehicle to deliver housing assistance and basic community services to our nation’s most vulnerable rural residents. Despite their success, however, there has been too little research on the economic impact of these organizations in terms of jobs created, and incomes and tax revenue generated.

To address this need, the National Rural Housing Coalition surveyed 111 nonprofit rural housing organizations in 45 states on their activity in Fiscal Year (FY) 2012. By aggregating survey responses, this report provides policymakers with a greater understanding of the important economic impact of nonprofit rural housing organizations.

NRHC’s Impact Survey shows that in 2012, nonprofit rural housing organizations helped low-income rural families secure over \$890 million in financing to build or purchase 8,392 units of housing, and helped 32,819 rural families gain access to clean and affordable water and sewer systems. This led to the creation 20,481 jobs, generated over \$596.5 million in local income and \$1.58 billion in tax revenue.

Specifically, the survey shows that rural housing organizations:

- Expanded access to homeownership to 6,508 rural families;
- Constructed, acquired, or preserved 1,884 affordable rental housing units, amounting to \$289.7 million in federal, state, local, and private financing;
- Helped 32,819 rural families gain access to clean and affordable water and sewer systems, amounting to \$106.9 million;
- Directly invested nearly \$70.8 million in financing to support affordable homeownership and rental housing in rural communities;
- Provided 24,869 rural families with quality Housing Counseling services, including Pre-purchase/Homebuyer Education courses;
- Aided 3,747 rural housing professionals and 435 rural housing organizations with technical assistance and training; and
- Supported more than 249 local rural housing organizations with \$20.5 million in operational and pass-through funds.

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Expanding Access to Rural Homeownership

Rural housing organizations play a key role in expanding rural homeownership by helping low-income families secure low-cost financing and other assistance. Of the 111 housing organizations surveyed, 98 provide homeownership programs for low-income families. In 2012, these rural housing organizations helped:

- Package \$657.6 million in federal, state, and local financing sources to expand homeownership to 6,757 families;
- Construct, purchase, or rehabilitate 6,508 homes; and
- 926 families earn more than \$19.6 million in equity – or \$21,187 on average – under the Self-Help Housing program.

Despite this success, 26,763 families are currently on waiting lists maintained by these rural housing organizations. Significantly, nearly a quarter (23%) of the organizations that provide homeownership programs do not keep waiting lists. On average, each organization has more than 371 families on their waiting lists.

Financing Sources

By successfully layering federal, state, local, and private resources, rural housing organizations help families assemble the low-cost financing they need to become homeowners and build wealth. Our findings show that in 2012 alone, rural housing organizations helped 6,757 families assemble more than \$657.6 million in federal, state, and local financing sources to become homeowners.

USDA's Section 502 Direct Loan program represented a significant source of the financing assembled by rural housing organizations. In fact, over \$150 million – or 23.3 percent – was obtained through the program's low-cost loans.

Rural Homeownership Financing Packaged, 2012

Source of Financing	Financing Packaged	Percent of Total
USDA Section 502 Direct Loans	\$153,092,176	23.3%
USDA Section 502 Guaranteed Loans	\$47,621,392	7.2%
Other Federal Mortgage Financing	\$315,456,450	48.0% ¹
Other Federal Programs	\$52,150,933	13.5%
State and Local Programs	\$26,499,127	4.0%
Other	\$62,771,433	9.5%
Grand Total	\$657,591,512	100.0%

¹ Includes \$240 million from the Washington State Housing Finance Commission (WSHFC), located in Washington State. Without WSHFC, the share of USDA Section 502 Direct Loans increases to 36.7% and the share of Other Federal Mortgage Financing decreases to 18.0%.

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The Section 502 Direct Loan program serves a unique role in ensuring affordable homeownership opportunities for low-income rural families. It is exclusively targeted to very-low and low-income rural families. Because the Section 502 Direct Loan program offers subsidized interest rates – as low as one percent – and longer loan terms – up to 38 years – rural families can access affordable and sustainable fixed-rate mortgages that they would not have been able to obtain otherwise.

In addition, Section 502 Direct Loans are credited with being one of the most cost-effective federal housing programs, period. On average, each Section 502 Direct Loan costs the government less than \$7,200 over the lifetime of the loan, less than the annual cost of other federal housing programs.

It is important to note, however, that Section 502 Guaranteed Loans comprised 7.2 percent – or \$47.6 million – of the total financing secured by low-income families and rural housing organizations. Although the Section 502 Guaranteed Loan program is an important tool for increasing homeownership opportunities, it simply cannot replace or duplicate the success of the Section 502 Direct Loan program in reaching smaller, poorer, and more remote rural communities.

Types of Homeownership Units

Our findings show that in 2012, rural housing organizations helped 6,508 families construct new homes, purchase existing ones, or rehabilitate their homes. Fully half of these homes (51%) are located in rural communities within metropolitan statistical areas (MSAs).

Homeownership Units, 2012

Homeownership Units	Number of Units	Financing
Self-Help Housing New Construction	926	\$139,062,905
Other New Construction	613	\$81,676,346
Existing Housing	2,803	\$377,354,868
Rehab Only	2,166	\$26,491,009
Grand Total	6,508	\$ 624,585,128

Under the USDA Section 523 Mutual Self-Help Housing program, rural housing organizations helped 926 families build their own homes.

The Section 523 Mutual Self-Help Housing program is the only federal program that combines “sweat equity” homeownership opportunities with technical assistance and affordable loans for America’s rural families. Under the program, small groups of 6 to 12 work together on nights and weekends to build their own and each other’s homes. Overall, each Self-Help Housing family frequently provides at least 1,000 hours – or 65 percent – of the construction labor. Through hard work and long hours, Self-Help Housing families decrease construction costs, earning equity in their home.

Our findings show that in 2012, rural housing organizations helped families earn more than \$19.6 million in equity under the Self-Help Housing program. On average, each family earned more than \$21,200.

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Rural Rental Housing and Preservation

Rural housing organizations play a critical role in planning, developing, financing, constructing, and preserving quality, affordable rental housing. Of the 111 housing organizations surveyed, 41 provide affordable rental programs for low-income families. In 2012 alone, these rural housing organizations helped:

- Assemble \$523.9 million in federal, state, local and private financing sources to develop 3,092 units of affordable rental housing;
- Place 1,423 affordable rental units -- amounting to more than \$265.5 million in financing -- into service;
- Assemble \$63 million to preserve 1,074 affordable rental units and place 461 units into service.

Despite this significant achievement, 19,859 families are currently on waiting lists for the nearly 18,830 affordable rental units owned or managed by rural housing organizations. Significantly, more than a quarter (27%) of these organizations does not keep waiting lists. On average, each organization has more than 662 families on their waiting lists.

Financing Sources

Rural housing organizations plan, develop, and assemble federal, state, local, and private financing to build affordable rental housing. Our findings show that in 2012 alone, rural housing organizations helped assembled \$523.9 million in financing to develop 3,092 units of affordable rental housing.

Rural Rental Housing Financing Packaged, 2012

Source of Financing	Financing Packaged	Percent of Financing
Section 515 Rural Rental Housing	\$3,759,247	0.7%
Section 514 Farm Labor Housing Loans	\$28,143,913	5.4%
Section 516 Farm Labor Housing Grants	\$9,104,106	1.7%
Section 538 Guaranteed Rural Rental	\$6,317,000	1.2%
CDBG, HOME, Section 108	\$45,084,230	8.6%
Other HUD Programs (Section 202, 811, HOPWA, HOPE IV, etc)	\$24,122,518	4.6%
Low Income Housing Tax Credits	\$250,414,663	47.8%
Other Federal Programs	\$22,356,615	4.3%
State/Local Programs	\$76,116,436	14.5%
Other	\$58,526,508	11.2%
Grand Total	\$523,945,236	100.0%

At \$250.4 million, the Low-Income Housing Tax Credit comprised nearly half (48%) of all available financing for the development of rural rental housing. Financing from four USDA rental programs – including Section 515 Rural Rental Housing Loans, Section 514 Farm Labor Housing loans, Section 516 Farm Labor Housing grants, and Section 538 Guaranteed Rural Rental Loans – amounted to only \$49.3 million or 9 percent of the total financing packaged by rural housing organizations.

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Today, more than 500,000 of America's most vulnerable families live in housing financed under Section 515. Under the program, housing developers – mostly for-profit entities – compete for 30-year loans at a 1 percent interest rate for the acquisition, rehabilitation or construction of rental housing and related facilities.

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.

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. Section 515 plays an important role in attracting other housing resources to rural America, including the Low Income Housing Tax Credit (LIHTC). As funding for Section 515 has been cut, however, rural communities find it more difficult to attract LIHTCs. Today, less than 13 percent of affordable housing units financed by LIHTC are in rural communities.

Types of Rental Units

Our findings show that in 2012, rural housing organizations placed 1,423 units of affordable rental housing into service. This amounts to more than \$265.5 million in financing. A majority (64%) of these units are located in rural communities outside of metropolitan statistical areas (MSAs).

Rental Housing Units, 2012

Rental Units	Number of Units	Financing
New Construction	810	\$199,894,800
Existing Units	613	\$65,621,466
Grand Total	1,423	\$265,516,266

Preservation of Affordable Rental Housing

Of the 111 rural housing organizations surveyed, 17 assemble financing to preserve affordable rental units. These organizations assembled more than \$63 million to preserve 1,074 affordable rental units and place 461 units into service.

Low-Income Housing Tax Credits comprised more than half (54%) of all available financing for the preservation of rural rental housing. It is important to note, however, that financing from four USDA rental programs – including Section 515 Rural Rental Housing Loans, Section 538 Guaranteed Rural Rental Loans, the Multi-Family Preservation and Revitalization program, and Preservation Revolving Loan Funds – amounted to only \$10.3 million or 20 percent of the total financing packaged by rural housing organizations.

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Rural Rental Preservation Financing Packaged, 2012

Source of Financing	Financing Packaged	Percent of Financing
Section 515 Rural Rental Housing	\$4,567,678	7.3%
Section 538 Guaranteed Rural Rental	\$700,000	1.1%
Multi-Family Preservation and Revitalization	\$3,769,815	6.0%
Preservation Revolving Loan Fund	\$1,250,000	2.0%
CDBG, HOME, Section 108	\$1,889,859	3.0%
Other HUD Programs	\$566,381	0.9%
Low Income Housing Tax Credits	\$33,882,577	54.0%
Other Federal Programs	\$200,000	0.3%
State/Local Programs	\$11,435,218	18.2%
Other	\$4,487,059	7.2%
Grand Total	\$62,748,587	100%

Experts agree that a minimum of \$2.6 billion over the next 20 years is needed to preserve aging Section 515 properties and to rehabilitate or replace obsolete infrastructure. Today, the average Section 515 property is more than 26 years old. 89 percent are at least 10 years old, and nearly two-thirds are more than 15 years old. In the coming years, 90 percent of all Section 515 units will need additional funds to ensure adequate operation.

Innovative strategies – like those used by the Multi-Family Preservation and Revitalization Demonstration program - help preserve affordability, even after Section 515 property owners are no longer required to keep rents affordable. This demonstration program has successfully used loan deferrals, 0 percent loans, soft seconds, credit sales, grants, and vouchers—at a cost of \$170 million—to keep more than 4,000 units available in rural communities.

The survey results highlight another challenge for rural rental housing. While Low-Income Housing Tax Credits are a significant source of financing, they are often used in conjunction with Section 538 rural rental housing loans. However, in order for Section 538 projects to qualify for LIHTC they must be closer to larger communities with high incomes. And, as USDA Rural Housing funding decreases, rural housing organizations will find it increasingly difficult to access these tax credits.

Clean and Affordable Water and Sewer Systems

Many rural communities have severely limited access to a clean and affordable water supply and are considered to live in “water poverty.” In addition to serving the housing needs of rural America, many rural housing organizations also work to overcome water insecurity, particularly in areas of high-risk including communities along the U.S. Mexico border – often called colonias – on Native American lands, in the Appalachian region, and in communities with a high number of farm workers.

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Of the 111 housing organizations surveyed, 7 (6%) assemble financing, develop, or provide technical assistance to localities in order to improve access to clean and affordable water and sewer systems. In 2012, these rural housing organizations helped:

- *Package \$79 million in financing to construct, expand, and repair water and sewer systems;*
- *Provide 32,819 rural families with access to safe and affordable water and sewer services, with financing amounting to \$101.2 million; and*
- *Provided technical assistance to 595 projects.*

Despite this success, more than 100 projects - serving about 25,000 households - are currently on waiting lists maintained by these rural housing organizations. On average, each organization has 4,688 families on their waiting lists.

Financing Sources

By successfully layering federal, state, local, and private resources, rural housing organizations help localities and households access the low-cost financing they need improve access to clean and affordable water and sewer services. Our findings show that in 2012 alone, rural housing organizations helped assemble nearly \$79 million in federal, state, and local financing sources.

USDA programs represented a significant source of the financing assembled by rural housing organizations. In fact, over \$28.8 million – or 36.5 percent – was obtained through the agency’s programs. Likewise, state and local programs also represented a significant share of this financing, amounting to \$27.2 million or 34.5 percent of the total amount assembled.

Water and Sewer Financing Packaged, 2012

Source of Financing	Financing Packaged	Percent of Financing
USDA	\$28,818,223	36.5%
EPA Drinking Water State Revolving Fund	\$3,190,880	4.0%
EPA Clean/Safe Water State Revolving Fund	\$2,165,221	2.7%
EDA	\$0	0%
CDBG	\$3,804,324	4.8%
Revolving Loan Funds (RCAP or others)	\$4,142,350	5.2%
Other Federal Programs	\$3,673,461	4.7%
State/Local Programs	\$27,223,616	34.5%
Other	\$5,950,840	7.5%
Grand Total	\$78,968,915	100%

Unfortunately, the survey results show that other federal spending – including funding from the Environmental Protection Agency (EPA) and the U.S. Department of Housing and Urban Development’s (HUD) Community Development Block Grants (CDBG) are not providing enough financial support to improving access to clean and affordable water and sewer systems.

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Types of Water/Sewer Projects

Rural housing organizations construct, expand, and repair water and sewer systems in struggling rural communities. Our findings show that in 2012, rural housing organizations provided water/sewer services to 213 localities.

More than three-quarters (76.5%) of these water and sewer systems are located in rural communities outside of metropolitan statistical areas (MSAs). Ninety-two percent (92%) are in communities with populations less than 3,300. The remaining 8 percent are located in communities with populations between 3,300 and 10,000.

More three-quarters of these projects (78%) and more than 81 percent of the total amount of financing was focused on repairing or replacing existing water and sewer systems.

Water and Sewer Services Provided, 2012

Water/Sewer Services	Number of Units	Financing
Construction of New System	33	\$636,724.36
Expansion of Existing System	5	\$4,500,000.00
Repair/Replace Existing System	167	\$82,084,834.80
Regulatory Compliance	8	\$14,027,000.00
Grand Total	213	\$101,248,559.16

Likewise, rural housing organizations provide water- and sewer-related technical assistance to local governments. This includes managerial, financial, and operational technical assistance, as well as compliance with federal law.

Technical Assistance Provided, 2012

Technical Assistance Services	Number of Projects	Financing
Compliance with Federal Laws	124	\$1,644,000.00
Managerial TA	189	\$1,774,000.00
Financial TA	76	\$634,000.00
Operational TA	206	\$1,558,000.00
Grand Total	595	\$5,610,000.00

Housing Counseling

Our findings show that in 2012, rural housing organizations provided housing counseling services to 24,869 families. Of the 111 rural housing organizations surveyed, 92 (83%) provide housing counseling services.

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Typically, housing counseling services focused on Pre-purchase and Homebuyer Education courses (44.2%), Mortgage Delinquency, Default and Foreclosure Prevention (22.4%), Homelessness Prevention and Rental Assistance (15.9%), and other services (17.5%) including Financial Education and Credit Counseling.

Housing Counseling Services Provided, 2012

Housing Counseling Services	Units	Percent of Total
Homelessness Prevention/Rental Assistance	3,962	15.9%
Pre-Purchase/Homebuyer Education	10,980	44.2%
Mortgage Delinquency/Default/Foreclosure Prevention	5,581	22.4%
Other	4,346	17.5%
Total Households/Units	24,869	100%

Housing counseling can improve prospective borrowers' access to affordable, safe mortgage loans, especially for families who otherwise might not qualify or who may experience other barriers to conventional lending.

In addition, because rural housing organizations are located in the neighborhoods they serve, they are often the first point of contact for struggling families, helping them overcome financial challenges and avoid costly foreclosure.

Other Activities

Of the 111 housing organizations surveyed, 17 provide direct financing to support affordable homeownership and rental housing, as Community Development Financial Institutions (CDFIs) and Community Development Corporations (CDCs). In 2012, these rural housing organizations helped:

- *Provide nearly \$55 million in direct financing to help 1,831 families become homeowners; and*
- *Provide \$15.8 million in direct financing to develop, acquire, or preserve 916 units of affordable rental housing.*

Of the 111 housing organizations surveyed, 13 provide operational grants and pass-through funds to local housing organization, and 10 provide technical assistance and training to individuals and organizations. In 2012, these rural housing organizations helped:

- *Aid 3,747 housing professionals and 435 organizations with technical assistance and training; and*
- *Support more than 249 local organizations with \$20.5 million in operational and pass-through funds.*

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Appendix

NRHC measured the economic impact of rural housing organizations by aggregating survey responses and analyzing them using formulas developed by the National Association of Homebuilders and the Rural Community Assistance Partnership.

Economic Impact of Homeownership Activity, 2012ⁱ

Homeownership Units	Number of Units	Jobs Created	Local Income Generated	Local Tax Generated
Other New Construction	613	1,986	\$129,343,000	\$13,486,000
Self-Help New Construction	926	3,000	\$195,386,000	\$20,372,000
Existing Homes	2,803	1,486	\$86,893,000	\$20,826,290
Rehab Only	2,166	207	\$18,350,322	\$1,528,531
Total	6,508	6,679	\$418,790,392	\$56,212,821

Economic Impact of Rental Activity, 2012ⁱⁱ

Rental Units	Number of Units	Jobs Created	Local Income Generated	Local Tax Generated
New Construction	810	988	\$63,990,000	\$6,698,700
Existing Homes	613	196	\$14,099,000	\$2,421,350
Preservation	461	148	\$10,603,000	\$1,820,950
Total	1,884	1,332	\$88,692,000	\$10,941,000

Economic Impact of Water/Sewer Activity, 2012ⁱⁱⁱ

Water Sewer Financing	Amount of Financing	Jobs Created	Local Income Generated	Local Tax Generated
Total	\$106,858,559	11,207		\$1,496,019,828

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Economic Impact of Direct Financing, 2012^{iv}

Housing Financed	Number of Units	Jobs Created	Local Income Generated	Local Tax Generated
Homeownership Units	1,831	970	\$56,761,000	\$13,604,000
Rental Units	916	293	\$21,068,000	\$3,618,200
Total	2,747	1,264	\$77,829,000	\$17,618,200

Total Economic Impact, 2012

Economic Impact	Jobs Created	Local Income Generated	Local Tax Generated
Grand Total	20,481	\$596,493,322	\$1,580,396,179

ⁱhttp://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=35601&subContentID=219188

ⁱⁱhttp://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=35601&subContentID=219188

ⁱⁱⁱ Rural Community Assistance Partnership Infographic, “Water Infrastructure Creates Jobs.”

^{iv}http://www.nahb.org/fileUpload_details.aspx?contentTypeID=3&contentID=35601&subContentID=219188