NATIONAL RURAL HOUSING COALITION

1250 Eye Street, N.W., Suite 902, Washington, DC 20005 • (202) 393-5229 • fax (202) 393-3034 • www.nrhcweb.org

Recommendations to the Millennial Housing Commission
June 30, 2001

Introduction

The National Rural Housing Coalition (NRHC) is a national membership organization that advocates for better housing and community development programs and policies for rural areas. NRHC is pleased to provide the Millennial Housing Commission with the following recommendations on rural housing issues.

While much media attention is focused on the urban housing crisis, there is another housing crisis in rural America. It is a crisis born of an historic lack of resources to address the underlying problems of lack of decent housing and low incomes. In addition, the recent downturn in the natural resource-based economies of rural areas when coupled with the dramatic reduction in federal rural housing assistance, have exacerbated an already serious situation. It is without exaggeration to say that most low-income rural families have virtually no option to improve their housing situations.

Important Characteristics About Housing and Poverty in Rural America

Rural areas have a disproportionate share of the nation's substandard housing. More than 1.6 million rural households who earn 80 percent or less of the area median income (AMI) live in moderately to severely inadequate housing. These are units without hot or cold piped water, and/or with leaking roofs or walls, rodent problems, inadequate heating systems, and peeling paint, often lead-based. Overall, more rural families live in inadequate housing than their urban counterparts, with 2.6 million rural residents living in inadequate homes compared to 2.4 million in cities and 1.3 million in the suburbs.

Some 28 percent of rural American households -- 10.4 million -- have housing problems. For rural renters, the rate of housing problems is higher. A third of all rural renter households are cost burdened, paying more than 30 percent of their income for housing costs, almost one million rural renter households suffer from *multiple housing problems* – 90 percent are severely cost burdened, paying more than 50 percent of their income for rent; *60 percent pay more than 70 percent of their income for housing.*

In short, rural families are the worst housed in the country.

There is a high incidence of poverty in rural America. In 1996 the poverty rate in rural America was 15.9 percent, compared to 13.2 percent in urban areas. Minorities in rural areas have much higher rates of poverty, with an average of 34.1 percent compared to urban minorities at 28.1 percent. Persistent poverty is also a major problem. Of the 250 poorest counties in the country, 244 are rural. And early data from the 2000 Census indicates that rural areas have made little progress in moving people from welfare to work.

There is an inadequate supply of affordable rural housing to meet demand. Many small, rural communities have only a limited number of available homes, and only a few that are affordable to low- and moderate-income households, with the available homes often in need of extensive repair or improvements.

Mobile homes are increasingly pervasive in rural areas, in part because of the lack of available housing. While mobile homes may meet the short-term need to house lower-income families, their prevalence in a local housing market often acts as a deterrent to construction of permanent housing. According to the 1997 American Housing Survey, the number of mobile homes has increased by 38 percent since 1987. Fifteen percent of rural homeowners live in mobile homes, compared to seven percent of urban homeowners. Mobile homes may decrease in value over time and sometimes do not endure long enough to be passed down. But with permanent housing in short supply, mobile homes are often the only choice for very low- to low-income families.

Homeownership is the principal form of housing in rural America. According to preliminary results from the 1997 American Housing Survey (AHS), households in non-metropolitan areas are far more likely to be homeowners than urban households, with 75 percent of all non-metro households owning a home compared to the central-cities rate of 49 percent. (The rate in suburban areas was 73 percent.) Yet, because of poor housing quality, higher mortgage costs and infrastructure costs, it is apparent many rural home owners do not gain the benefits that typically accrue to home owners.

Rural households pay more of their income for housing than their urban counterparts. Housing "cost burdens" are generally measured as a percentage of income, with 30 percent being the acceptable standard for housing. Overall, 21 percent of all rural households pay more than 30 percent of their income for housing, which means that some 5 million rural homeowners are cost-burdened. Of these, more than 1.1 million are severely cost-burdened, paying over 70 percent of their incomes for housing, while another 1.9 million homeowners pay over 50 percent of their incomes in housing costs.

Hundreds of rural communities nationwide do not have access to clean drinking water and safe waste disposal systems. In its 1997 Drinking Water Infrastructure Needs Survey, the Environmental Protection Agency estimated that over the next 20 years, water systems serving communities of less than 10,000 people will require $37.2 billion in funding for water systems improvements and upgrades. And regarding wastewater, a 1996 EPA Survey demonstrated that small communities with up to 10,000 residents will need 21,000 wastewater treatment facilities by 2016 at a cost of approximately $14 billion. According to EPA's numbers, approximately

$51.2 billion will be needed to address the basic water and wastewater needs of small communities.

Development costs in rural areas are proportionately higher. Rural construction costs are only slightly lower than those in urban areas, due in part to the substantial infrastructure development that must accompany rural housing construction. When accounting for lower incomes in rural areas, costs are proportionately higher than in urban areas. Water and sewer systems and roads must be improved, if not built, in many rural communities when a project is being constructed. In some instances, the existing water and sewer systems are over-capacity, outdated, and not up to government standards. When these costs are superimposed on the low incomes of many rural residents, they prove a significant barrier to housing development.

Rural residents have limited access to mortgage credit. The consolidation of the banking industry that accelerated throughout the 1990s has had a significant impact on rural communities. Mergers among lending institutions have replaced local community lenders with large centralized institutions located in urban areas. Aside from shifting the locus of loan making, this has resulted in the diminishment of a competitive environment that, in the past, encouraged rural lenders to offer terms and conditions that were attractive to borrowers. With fewer local lending institutions to turn to, rural consumers - especially lower-income borrowers - must accept the lenders' requirements or go without a loan.

The inequities in rural lending are reflected in a study Congress mandated under the Federal Agriculture Improvement and Reform Act of 1996. USDA's Economic Research Service (ERS) analysis of the availability of credit in rural areas for agriculture, housing and rural development, completed in April 1997, found that some financial markets serving rural communities, borrowers, and classes of credit are inefficient. The study found that the small size of rural communities with limited populations of potential borrowers restricts the number of lenders that can profitably compete for rural loans. As a result, not all rural markets are equally well served, with the poorest counties tending to have the least competitive banking markets.

Even low-income households that qualify for loans face higher prevailing interest rates than their urban counterparts. Thirty-year fixed mortgages average 5 to 11 basis points more in rural areas than in urban communities. Seventeen percent of all non-metro mortgage holders have an interest rate of 10 percent or more, compared to approximately eight percent interest in metro areas. Mortgages from rural lenders also tend to have shorter terms than loans from urban lenders. A 1995 study of lending in rural America found that 34 percent of all loans by rural lenders were for 15-year terms or less compared to only 16 percent of all loans by urban lenders. Shorter-term loans typically carry higher interest rates and larger monthly payments, thus making them less affordable for lower-income would-be borrowers.

Rural minorities are far less likely to own their homes than rural white households. Of the households who own their homes in rural areas, 91 percent are white. The remaining 9 percent are comprised of African Americans (5 percent), Hispanics (3 percent) and "other" racial groups, a category that includes Native Americans (1 percent).

Federal Policy

Rural areas are faced with a low and declining level of federal housing assistance. Not only have rural housing funds been reduced in recent years, but there is scant evidence that other federal agencies have picked up the slack.

Rural households are less likely to receive government-assisted mortgages. According to the 1995 American Housing Survey, 14.6 percent of non-metro and 24 percent of metro residents receive federal assistance. Only six percent of Federal Housing Administration (FHA) FY 1996 assistance went to non-metro areas. On a per-capita basis, rural counties fared worse with FHA, getting only $25 per capita versus $264 in metro areas. Only about 10% of HUD Section 8 assistance finds it way to rural America. Rural experience with the Veterans Affairs housing program is similar, with only about 11 percent going to non-metro areas and per-capita spending in rural counties at only about one-third that of metro areas.

The US Department of Agriculture (USDA) is the designated lead agency for rural development within the federal government. Through the Rural Housing Service (RHS), and before that the Farmers Home Administration (FmHA), direct loans, grants and related assistance are made available to low and moderate income households generally living in rural communities of 10,000 population or less.

Historically, RHS has administered two major programs: Section 502 direct loan program and Section 515 rural rental housing program.

Section 502

Section 502 of the Housing Act of 1949 is the only remaining federal program that provides direct homeownership assistance to low-income households in rural areas. The principal purpose of Section 502 is to provide subsidized loans to low-income families to acquire, rehabilitate, or construct single family homes.

Section 502 borrowers are predominately married couples or female single parents, in both cases with children under 18 years old. In a survey undertaken by ERS in 1998, these households accounted for 71 percent of the families using the direct loan program. Ten percent of the borrowers were women living alone and 7 percent were married couples without young children. According to RHS staff, the average adjusted household income for FY 1999 of a Section 502 household is $18,459. About 9 percent of households have annual incomes less than $10,000.

In 2001, Congress appropriated $1.1 billion for direct loans, $600 million less than the 1994 appropriation. In addition, the average subsidy level for Section 502 households dropped. In 2001, RHS will finance roughly 15,000 units.

Not only have the Administration and Congress cut lending levels for Section 502, but the amount of subsidy available has also been reduced. In October 1995, RHS changed the subsidy mechanism for Section 502 from an interest credit system to payment assistance. Under interest credit, eligible households could receive a mortgage interest rate as low as one percent. Under payment assistance, subsidy is reduced, as families with incomes between 50 to 80 percent of median are required to pay either 22 percent or 26 percent of their income for housing costs. As a result the average income of families assisted under Section 502 direct loans has increased. For FY 1995, the last year of interest credit, the average income of the households assisted was $16,967. At the end of FY 1999, the average income was $18,459. This is an increase of nine percent.

There is anecdotal evidence that this change has fallen the hardest on low-income borrowers - those with incomes 50 to 80 percent of area median income (AMI). The result of reducing subsidy and lending levels of Section 502 is a far less costly program for the federal government. About one-third of the reduction in Section 502 spending is a result of reduced subsidies. The rest is a result of lower lending levels. Some measure of the desperate housing situation of many low-income rural families is the backlog of mortgage requests for Section 502 direct loans, which exceeds $5.5 billion as of June 19, 2001.

The trend in rural housing appropriations is toward guarantees. In the Section 502 guaranteed loan program, RHS guarantees unsubsidized loans to low- and moderate-income households made by commercial lenders. The government backing of these loans is an incentive to commercial lenders who may not otherwise lend to lower income families. Applicants must have an income no greater than 115 percent of AMI. In 1979, the direct program funded 93,400 units and the guaranteed program, 374; in 1998, the direct loan program funded 15,563 units and the guaranteed program, 39,144.

The federal policy movement in the direction of guarantees has resulted in the predominance of moderate-income borrowers. In 1999, the guaranteed program served primarily moderate-income families, although one-quarter of the families are low-income. Of the 38,555 guaranteed loans that RHS made in 1999, 68 percent went to moderate-income households, 26 percent to low-income and only 3 percent to very low-income. The average income of the families served was $33,318, contrasted with $18,459 in the direct loan program.

In recent years, RHS has employed new and important efforts to make good use of dwindling Section 502 funds. RHS has successfully sought from Congress increased appropriations for Section 523 Mutual and Self-Help Housing. Under this program, local organizations help low-income families to build their own housing, at a substantial savings to the families and the government. Self-help families are poorer than other families participating in rural home ownership, yet have better records on making mortgage payments.

RHS also initiated the Rural Home Loan Partnership that is designed to pair limited Section 502 funding with financial resources from other public and private sources. With non-profit organizations often at the center, this program has also had the effect of extending limited RHS funding. However, because of the limited subsidy available from other sources, the income of families participating in this program is higher than many other Section 502 borrowers.

Section 515

Section 515 of the Housing Act provides subsidized loans to for-profit and non-profit entities to finance housing and related facilities for low and moderate-income renters. There are approximately 15,000 Section 515 developments in rural areas across the nation. The average income of tenants of Section 515 developments is about $7,300 per year and roughly 60% are elderly households or households with individuals with disabilities. Very low-income families living in Section 515 developments may also receive rental assistance from RHS that is a similar subsidy to Section 8. There are over 450,000 units financed with Section 515.

In 2001, Congress appropriated $114 million for Section 515, $450 million less than the Fiscal Year 1994 level. In 2001, RHS will use roughly half the appropriation for Section 515 to provide financing to maintain and preserve the existing portfolio of Section 515 units. Therefore, only about $50 million per year is available for new construction in rural areas.

The Section 521 Rental Assistance budget is the one part of the rural housing budget that is expanding. In recent years, mostly in response to an escalating number of expiring contracts, appropriations for rental assistance have gone up. Despite that fact the current appropriations stand at $679 million and that in FY 02 it will increase to at least $690 million, there is little money available to provide rental subsidy in conjunction with Section 515 developments. Although about 50 percent of the 450,000 Section 515 households receive RA, almost 90,000 Section 515 households who need the assistance do not receive it. Rental assistance is projected to continue to increase to $937 million by 2006.

In addition, many Section 515 developments are approaching the end of the original 20-year use restriction for low-income use. Under the law, Section 515 is one of the principal financing sources for equity loans made to owners of Section 515 in return for long-term low-income use. Since the reductions in Section 515, RHS has not provided adequate allocations for preservation of the existing Section 515 program. As a result, there is a rising tide of concern about the long-term low-income use of many Section 515 developments.

The very limited resources available for preservation make it difficult for non-profit organizations to play a larger role developing strategies to preserve Section 515 developments. Not only is the allocation of funds for preservation inadequate to the need, there is little money available to cover the administrative costs of preparing a financing and related documents necessary to acquire a property. Under current law, non-profits may only receive $10,000 from RHS for this purpose and those funds come from the hard-pressed rural rental assistance budget.

There is increasing evidence that rural non-profit organizations have the technical capacity to address the complex financing and management issues related to preservation of Section 515. However, the lack of funding to cover the cost of doing business makes it exceedingly difficult for non-profits to actively participate in the program. Further, RHS has not made a strong effort to involve non-profits in a preservation effort.

Farmworker Housing

Farmworker households are also some of the least assisted households in the nation. Some 52 percent of farmworker households' incomes are below the poverty threshold, four times the national household poverty rate, and 75 percent of migrant farmworkers have incomes below the poverty line. Yet little more than 20 percent of farmworker households receive public assistance; most commonly food stamps, rarely public or subsidized housing.

There are only two federal housing programs that specifically target farmworkers and their housing needs: Sections 514 and 516 of the Housing Act of 1949 (as amended). Borrowers and grantees under Rural Housing Service Sections 514 and 516 receive financing to develop housing for farmworkers. Section 514 authorizes the Rural Housing Service to make loans with terms of up to 33 years and interest rates as low as one percent. Section 516 authorizes RHS to provide grant funding when the applicant will provide at least 10 percent of the total development cost from its own resources or through a 514 loan.

Neither Congress nor the Administration has made an effort to address the crushing lack of housing for migrant and seasonal farmworkers. While recent appropriations have increased funding substantially, only about 1,000 units per year are financed through the RHS program.

Non-Profit Delivery System

There is no uniform delivery system for rural housing. In the period in which direct loans were at higher levels, private contractors and homebuilders dominated the principal delivery system for low-income housing assistance. These organizations recruited eligible families and shepherded them through the FmHA system. This informal system was in existence in most rural areas because Section 502 and 515 mortgages were available. With the dramatic reduction in direct lending and opportunities presented by a good economy for building higher end housing, the private sector delivery system is no longer dominant and in many rural communities does not exist.

In some rural areas, non-profits have picked up the slack and pursued a multiple funding strategy for homeownership. Funding for home mortgages and rental housing comes from several sources -- federal, state, and local, as well as private. Skilled local organizations meld these resources together to provide financing packages affordable to low-income families. The National Rural Housing Coalition documents the success of the emerging new delivery system in its October 2000 report entitled, *Opening Doors to Rural Homeownership*.

This approach is more complex and time-consuming and is contingent upon the capacity -- both technical and financial -- of local organizations. Therefore, when a rural community does not have such an organization, it often goes without this important assistance to low-income homeowners.

There is not a dedicated source of federal support to promote a non-profit delivery system for rural housing. Nor is there an easy mechanism for replicating successful models. With the exception of self-help housing technical assistance grants, a uniform method of support or encouragement for low-income homeownership efforts is not available to rural communities across the country.

Local and State Efforts

As the federal commitment to low-income housing has waned, a number of important state and local efforts have come to fill the gap. In addition, the current interest rate environment makes it possible for innovative programs to assist low-income borrowers. However, the availability of affordable housing low-income rural families is increasingly a function of local and state policies and programs. Therefore, naturally, there is a decreasing equality of opportunity in affordable housing opportunities for low-income rural families.

States are increasingly important players in rural housing efforts. One of the important ways that states participate in rural housing is through HUD block grant programs.

HUD provides two main sources of funding to support low-income homeownership efforts: Community Development Block Grants (CDBG) and HOME Investment Partnerships Program (HOME). These programs provide formula allocations to states and localities, with a focus on entitlement communities and participating jurisdictions, respectively.

In CDBG, non-metro communities receive funding through the States and Small Cities Block Grant Program. In HOME, smaller communities are eligible for those funds allocated to states. In recent years, HUD has turned over more policymaking on these block grants to the states. While federal laws and regulations set eligibility, terms, and conditions for assistance, HUD has increasingly allowed states the discretion to set priorities and policies.

Community Development Block Grant Program

HUD provides Community Development Block Grant (CDBG) funding through the State and Small Cities Block Grants program to local governments that do not receive direct CDBG allocations (i.e., to "non-entitlement communities"). Under the allocation rules, 70 percent of the CDBG funding of approximately $4.4 billion is allocated to CDBG entitlement communities, which include metropolitan cities (population of 50,000 or more) and urban counties. The remaining 30 percent (about $1.25 billion in FY 2000) is allocated to the states for non-metropolitan areas through the State and Small Cities program.

Most states award CDBG funds to local communities through a competitive process. Private and non-profit developers cannot apply to the state directly for CDBG funding, however; the local government must apply for the money on their behalf. This requirement bars community groups (rural and otherwise) from obtaining grants in situations where the local government does not want to sponsor the group's project.

In addition to the fact that community groups cannot apply for CDBG funds on their own (which gives the local government veto power over whether the project may receive funding even before the competition takes place), a significant problem with the State and Small Cities Block Grant program from a targeting standpoint is that states may award the grants to communities with populations up to 50,000. This means that small rural communities must compete with larger jurisdictions for funding.

State and Small Cities Block Grant program is used to promote a range of housing rehabilitation and community development activities. The grants serve low- and moderate-income households. Between 1994 and 1999, an estimated 14 to 17 million households benefited from the CDBG program and almost 115,000 jobs were created through its economic development activities. Currently, about 20 percent of CDBG funds go towards housing rehabilitation activities. This percentage changes dramatically when examined on a state-by-state basis, from zero percent to 46.9 percent in FY 1999 according to the Council of State Development Agencies.

For housing interests, beyond the limitation to housing rehab, the main drawback for CDBG is the competition for funds. CDBG funds may be used for a host of other activities in low- and moderate-income areas including infrastructure development, economic development and community services. Participants noted that competition for CDBG funds is keen and housing interests do not always fare well.

HOME Investment Partnerships Program (HOME)

The National Affordable Housing Act of 1990 authorized the HOME Investment Partnerships Program and is the largest federal block grant to state and local governments specifically designed to create affordable housing for low-income households. Annual appropriations average $1.5 billion. These funds are allocated by the Department of Housing and Urban Development (HUD) to states and to hundreds of localities or participating jurisdictions (PJs) nationwide. The program's flexibility allows states and local governments to use the funds for a variety of housing activities including acquisition of existing properties, rehabilitation, and new construction.

HOME does not include a set aside for non-metro areas. Instead, the state allocations (40 percent of the appropriation or about $640 million in FY 2000) may be used for a range of housing activities statewide. The law requires that state allocations take into account the incidence of housing problems in non-metropolitan areas. The National Council of State Housing Agencies reports that member agencies administering HOME funds in 1998 spent 25 percent of those funds in rural and non-metropolitan areas for both homeownership and rental programs.

Unlike CDBG funds, HOME dollars must be matched by non-federal funds or in-kind contributions from the participating jurisdiction. Also, 15 percent of HOME funds are set aside for Community Housing Development Organizations (CHDOs). HOME funds are frequently leveraged with private, foundation, and other public resources. For every federal HOME dollar provided to communities, $3.88 in private and public funds have been leveraged.

Over the years, more than 132,000 home buyers have used HOME funds to help purchase a home, and 104,000 homeowners have used such funds for home rehabilitation. Nearly one in three home buyers and seven in ten homeowners (almost half of them elderly) who receive HOME assistance earn 50 percent or less of area median income. funds have been increasingly used for homeownership assistance, with 27.1 percent of HOME used in FY 1994, compared to 32 percent in FY 1995 and 44 percent in FY 1997.

HOME appears to be a focal point for non-profits in the field. There are several reasons for this. First, the funds are exclusively for housing. Second, many rural non-profit housing organizations are CHDOs and therefore qualify for the 15 percent of HOME funds are set aside for such organizations. Finally, the leveraging requirement has necessitated housing organizations to become more entrepreneurial in their funding and has dovetailed with the recent changes in Section 502's encouraging leveraged loans. The following two examples from the symposium demonstrate how HUD block grant funds can be used by rural non-profits to promote low-income homeownership.

Members of the National Rural Housing Coalition find CDBG and HOME extremely effective tools to provide increased housing opportunities to low income rural families. In a number states – Kentucky, Pennsylvania, Wisconsin and California there is anecdotal evidence that states are working with non-profit organizations to fill the gap left by the decline in rural housing resources at USDA. Most often, non-profits are using CDBG and HOME in conjunction with USDA resources to provide housing.

That said, there are important limitations and drawbacks to a system that relies on states to serve rural housing needs. These include:

- *Equity in funding and reach to smaller, poorer communities* – Data on both CDBG and HOME do not adequately address the distribution of funds with non-metro and rural areas. While both CDBG and HOME provide assistance to rural areas, it is not clear precisely where those funds go. In the CDBG Small Cities program states must provide funds to communities below 50,000 population. For HOME, states have the authority to use funds in non-pj areas, but are not required. Recent data from National Council of State Housing Agencies indicates that 25 percent of HOME funds went to non-metro and rural areas, but states have varying definitions of rural. And, just as there is anecdotal evidence of the importance of these programs, there is evidence on the other side that smaller, poorer communities, particularly those with a non-profit infrastructure have difficulty gaining access to these funds.

- *HOME and CDBG are not a permanent resource for rural areas* – Members of the Coalition express concern about the structure of CDBG and HOME funding. Few states provide rural areas with multi-year funding through these block grants. As a result, when a small communities is lucky enough to gain access to funding, it is usually for a discreet, one time project. Therefore, small communities are unable to count on a continuing resource to provide housing assistance.

Furthermore, a number of states require non-profit grantees of HOME funds to return grants originally made for a revolving loan fund. Again, after a project is completed, the funds are removed from the community and the community is deprived of a permanent asset.

Recommendations to the Commission

I. HOMEOWNERSHIP

Increase assistance to low-income households by reinvigorating USDA's Section 502.

NRHC suggests that Section 502 be reinvigorated to serve lower-income families by: increasing subsidies in Section 502, improving the guaranteed loan program, supporting home loan partnership expanding the housing counseling program, and institutionalizing grant programs for non-profits such as self help housing. This includes increasing the loan totals on Section 502 direct loans to $1.7 billion and providing additional subsidy for families with incomes between 50 percent and 80 percent of median.

Build non-profit organization capacity.

With dramatic reductions in federal funding and new opportunities presented by a good economy for building higher end housing, the private sector delivery system is no longer dominant as it was when funding levels were higher, and in many rural communities does not exist. In some rural areas, non-profits have picked up the slack and pursued a multiple funding strategy. Skilled local organizations meld federal, state, local and private resources together to provide affordable financing packages to low-income families. But there is not a dedicated source of federal support to promote a non-profit delivery system for rural housing.

Without a uniform system of housing assistance in rural areas, non-profit organizations are increasing important as a vehicle to deliver housing assistance. However, there is only meager funding available for the Rural Community Development Initiative (RDCI), a new program that provides capacity building support to non-profits through intermediaries. Funding for RCDI should be expanded from $6 million to $25 million.

Expand the housing counseling program.

Counseling both before and after buying a home is a key to successful homeownership. RHS's Section 502 self-help program, which includes funds for housing counseling, is highly successful, in part because the counseling is so effective. Despite the proven value of counseling, however, non-profit organizations generally lack access to resources to help defray its costs. RHS should incorporate housing counseling into its programs and allow its rural program managers to refer renters to organizations that provide homeownership counseling. A $500 housing counseling fee for non-profits providing housing counseling for 502 borrowers should be an allowable fee covered by the loan, even if it is in excess of the appraisal. (Note: Other fees/costs which are currently allowed to be included in the loan even if they exceed appraisal are: tax service fee, initial escrow, and appraisal.)

II. RENTAL HOUSING

Improve USDA's Section 515.

NRHC suggests increasing the allocation for preservation and providing adequate rental assistance to ensure affordability RHS should provide at least $100 million over the next three years to provide adequate incentives to preserve and maintain the existing stock of rural rental housing, along with adequate levels of rental assistance for low income households. RHS should move aggressively to reach out to its current housing grantees – self help housing, farmworker housing, the Rural Home Loan Partnership and the Rural Community Development Initiative – to develop a network of non-profit organizations that will work with the Agency to preserve rural rental housing.

Support the Rural Rental Housing Act of 2001 (S.652).

To improve rural rental housing resources Senators John Edwards, Jim Jeffords, Patrick Leahy, and Paul Wellstone introduced S. 652, the Rural Rental Housing Act of 2001. This legislation will provide will provide a source of flexible funding to finance rental housing in our small town and farming communities. The legislation will encourage partnerships with the public and private, non-profit sector partners. A variety of financing tools may be used to match the federal funds, including loans, grants, interest subsidies, annuities and other forms of assistance. The proposal would encourage partnerships among federal agencies, state and local governments, private financial institutions, private philanthropic institutions, and the private sector, including non-profit organizations.

The Secretary of Agriculture shall devise regulations and standards for the program. The proposed legislation encourages the use of standards and procedures from other, similar programs. Funds are targeted to small communities. The legislation specifies that housing financed under the legislation must have a low-income use restriction of not less than 20 years.

III. FARMWORKER HOUSING

Increase funding for Rural Housing Service's Sections 514 and 516 to $100 million in budget authority.

This increase will provide $100 million in loans and $50 million in grants to finance housing and related facilities for farm workers. Non-profit housing organizations and public bodies use the loan and grant funds, along with RHS rural rental assistance, to provide units affordable to eligible farmworkers. These funds are used to plan and develop housing and related facilities for migrant and seasonal farmworkers. Current funding for Sections 514/516 totals $34 million in program authority. This amount provides about 700 units of housing. The waiting list of applications for Section 514/516 is two to three times the appropriated level. USDA limits applications, as there is little prospect of funding all the demand for assistance.

IV. INFRASTRUCTURE

Increase support for USDA's Rural Utilities Service.

Increase the appropriation for water sewer loans to $1.05 billion, and water sewer grants to $700 million. The appropriations for this program are at only 92 percent of the 1995 level. Accounting for inflation, they are at 82 percent of the 1995 level.

USDA's Rural Utilities Service (RUS) is the primary federal force in rural water and waste development, providing loans and grants to low-income communities in rural areas. The agency assists low-income rural communities that would not otherwise be able to afford such services. Approximately one-fifth of the communities served live below the national poverty line.

In providing these important services, the program also protects public health and promotes community stabilization and development. Aging municipal sewage systems alone are responsible for 40,000 overflows of raw sewage each year. The overflows cause health hazards including gastrointestinal problems and nausea, as well as long-term damage to the environment. Businesses and industries are unable or reluctant to locate in areas without functioning water and sewer systems. But with the assistance of RUS, communities are able to have the services they need so that their health and economies may benefit.

V. HUD's SERVICE TO RURAL AREAS

Increase HUD's emphasis on rural communities.

This recommendation is specific to HOME and CDBG, and should be applied to any new production program administered through states. To accomplish this, NRHC suggests the following changes to federal block grant programs for housing and community development, as well as tax credits for low-income housing:

1. States and HUD adopt a uniform definition of rural. NRHC recommends a limit of 25,000 population;
2. 25 percent of HOME and CDBG funds be allocated to communities with populations up to 25,000;
3. States be required to develop implementation plans that adequately and accurately address rural needs;
4. States be authorized to waive matching requirements for projects in small, poor communities;
5. States should be encouraged to provide permanent, multi-year, resources to local non-profit organizations and communities to rural communities.

HUD has not done its part in responding to the housing needs of our rural communities. HUD's programs provide a disproportionately small amount of services to rural areas, even in programs with rural requirements. Programs such as the HOME Investment Partnerships Program (HOME), the Community Development Block Grants (CDBG) program, and the Federal

Housing Administration (FHA) may have the intention of serving rural areas, but fail to do so to the appropriate extent.

It is apparent that rural communities are not a priority for USDA and an after thought at HUD. However, the current direction of federal policy appears to be in the direction of HUD and in the direction of increased housing resources administered through states.