NCSHA

National Council *of*
State Housing Agencies

Statement of the National Council of State Housing Agencies
to the Senate Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
on FY 2014 USDA Appropriations
April 26, 2013

Thank you for the opportunity to provide testimony on behalf of our Housing Finance Agency (HFA) members. As you consider your FY 2014 USDA appropriations bill, we urge you to define rural areas for USDA Rural Housing Service (RHS) program eligibility to ensure that areas currently qualified for it and needing such assistance maintain eligibility, despite potential eligibility changes due to the 2010 Census. We also ask that you ensure USDA does not administratively remove some Section 521 Rental Assistance from use. We request that you provide FY 2014 program funding levels for RHS programs adequate to maintain assistance for those currently receiving it, allow new families needing assistance to access it, and provide for the construction, rehabilitation, and preservation of rural affordable housing.

The National Council of State Housing Agencies' (NCSHA) members are the HFAs of the 50 states, the District of Columbia, New York City, Puerto Rico, and the U.S. Virgin Islands. HFAs administer and utilize a wide range of affordable housing and community development programs, including Section 502 and Section 538 rural housing loans, other rural housing assistance, HOME, Section 8, homelessness assistance, down payment assistance, counseling, tax-exempt Housing Bonds, and the Low Income Housing Tax Credit (Housing Credit). HFAs effectively employ these resources to advance their common public-purpose mission of providing affordable housing to the people of their jurisdictions who need it.

Defining Rural

We urge you to modify the definition of rural areas for purposes of USDA program eligibility, including maintaining USDA rural housing funding and guarantee program eligibility, for jurisdictions needing such assistance and at risk of losing their eligibility as USDA incorporates data from the 2010 Census into its program eligibility criteria. Congress approved a similar definition modification in 1990 and extended it in 2000. The Bipartisan Policy Center's Housing Commission recommends in its recently released report *Housing America's Future: New Directions for National Policy* that the current definition of rural areas be extended through the year 2020, except for areas with populations exceeding 25,000.

Without a change to the definition, eligibility will be limited to communities that have a population of less than 20,000 and are not located in metropolitan statistical areas (MSA). However, half of the entire rural population lives in an MSA. Without a statutory change, more than 900 rural communities will become ineligible for rural development funds at the end of FY 2013. For some of these communities, it will mean losing their only source of federal housing funding.

Section 521 Rental Assistance

The Section 521 Rental Assistance program provides assistance to low-income renters, those earning no more than 80 percent of area median income (AMI), and very-low income renters, those earning no more than 50 percent of AMI, in Section 515 and Section 514/516-assisted housing. Assistance is provided so that tenants are required to pay no more than 30 percent of their incomes for rent. The assistance is provided through contracts with owners of assisted housing.

The need for affordable rental housing in rural areas far exceeds current supply. Forty-seven percent of rural renters are cost burdened, paying more than 30 percent of their incomes for housing, and nearly half of them are paying more than 50 percent of their monthly incomes for housing. Section 521 Rental Assistance helps reduce rent burdens on low-income households, but is not available for every Rural Development (RD) apartment.

Underfunding of Section 521 Rental Assistance has led USDA to implement policies that takes assistance out of circulation, reduces the number of low-income households that can utilize the subsidy, and diminishes the quality of the housing provided. We urge you to ensure that USDA does not administratively remove existing Section 521 Rental Assistance units from the program or cancel Section 521 Rental Assistance contracts from assisted properties that USDA removes from the program.

Traditionally, when rental properties left the program through prepayment or foreclosure, RD would transfer their Rental Assistance units to other properties. However, in an unnumbered letter dated May 18, 2011, RD states that for certain properties it has decided not to transfer the Rental Assistance, but instead to retire it to achieve program savings. This administrative change shifts economic hardship to tenants and threatens the recapitalization and preservation of properties.

It further limits the amount of rental assistance provided to families that need it and makes it harder for rural rental housing units to attract and leverage other sources of funding, such as the Housing Credit. In 2011, more than one-third of state HFAs reported having a rural housing set-aside within their Housing Credit program. In response to RD's decision to limit redistribution of Rental Assistance, HFAs raised concerns that the lack of rental assistance provided to units that need it will make it more difficult for developments to maintain financial feasibility, as well as making rehabilitation and preservation financing more difficult.

Rural Housing Funding

We urge you to provide funding for RHS programs adequate to continue providing assistance to all families currently receiving it and to help as many new families still waiting for assistance as possible. The need for access to affordable housing in rural areas remains great. Median income in rural areas is 20 percent lower than the national median income and rural communities are four times more likely than urban areas to have at least 20 percent of their population living in poverty.

We appreciate your support of funding for the Section 502 single-family direct loan program and urge you to resist efforts to cut funding for this program. We also thank you for supporting funding for the Multifamily Preservation and Revitalization (MPR) demonstration program and urge you to continue its funding and to support its permanent authorization.

In addition to meeting the need for affordable rural homeownership and rental housing opportunities, both the Section 502 single-family guaranteed and the Section 538 multifamily loan programs do not require budget authority to support their loans. In fact, in recent years, both of these programs have generated revenue for the federal government. We encourage your continued support for them.

We urge you to provide funding for the Section 515 rural rental housing loan program to support new development and preservation of rental housing and to provide full funding for the Section 521 Rental Assistance program.

We recognize the continued constrained fiscal environment in which you must craft your FY 2014 appropriations legislation. We urge you to consider the proven effectiveness of RHS programs and the great unmet need for them, which has been further exacerbated in these difficult economic times, as you make your funding decisions. NCSHA appreciates this opportunity to offer a statement on behalf of these programs and we are ready to assist you in any way we can as you move forward with the FY 2014 appropriations process.