

OPENING STATEMENT:

Thank you, Madam Chair and thank you to our witnesses, specifically Ms. Erickson for joining us virtually from Sisseton, South Dakota, for offering your stakeholder feedback on how to improve the Rural Housing Service.

In South Dakota, RHS has played a large role in supporting affordable homeownership and rental housing for lower income families. I believe there are a number of ways we can streamline and modernize RHS to more effectively serve rural Americans. Over the last several months, our offices have been collecting recommendations from stakeholders like those testifying today on ways to achieve this. Their proposals have included commonsense reforms such as increasing the threshold for mortgage requirements on 504 loans, requiring USDA to provide more data transparency along with an annual report on RHS programs, improving staffing, updating old IT systems and more.

Over the last several decades, the number of loans made through the Section 502 Guaranteed Loan Program has increased while the number of loans made through the Section 502 Direct Loan program has declined. The direct loan program, a more expensive program that exposes taxpayers to greater risk, was failing to reach communities, more specifically members of tribal communities, in a meaningful way. In order to better serve Native American communities, USDA launched a 502-lending pilot program in 2018 where USDA partnered with Native Community Development Financial Institutions to help Native American families realize that dream of home ownership. I look forward to hearing Ms. Erickson discuss the successes of that pilot program in South Dakota.

Although the pilot program was successful, it has not yet been expanded. The results of a 2022 National Rural Housing Coalition survey of organizations working with RHS on administering the 502 Direct Program demonstrates how broken the program remains. The survey found that there was a wide variation of how section 502 loans were administered, there was inconsistent staffing of loan applications and loan processing was often delayed – sometimes stretching to 70 days or longer. That’s why, as we look to make updates to RHS, I think it important to include the bill Chairwoman Smith and I have partnered on to expand the 502-lending pilot program. We should be promoting innovative strategies like this that utilize public-private partnerships to make certain funds reach the communities that really need them. We will also be looking at ways to streamline regulatory requirements for programs and increase flexibility for the smallest communities, as cumbersome processes have deterred nonprofits from utilizing programs.

In that vein, staffing and IT upgrades are imperative as we evaluate how to make RHS as effective as possible. RHS is using software that, in some cases, is nearly 25 years old. The outdated technology can delay applications from prospective renters and buyers and scare away prospective landlords that are interested in utilizing RHS programs for their properties. As a USDA lender, I’m interested in hearing Mr. Battany’s perspective on ways to upgrade processes.

Thank you again to all of our witnesses for being here today and I look forward to the conversation.