NATIONAL RURAL HOUSING COALITION

1331 G Street, N.W., 10th Floor, Washington, DC 20005 • (202)393-5229 • fax (202)393-3034 • http://ruralhousingcoalition.org

April 14, 2017

Brief Description: Increase investment in Rural America by expending USDA rural housing and water-waste water programs.

Investments in Rural Housing and Community Facility Programs Foster Economic Growth for Low-Income Families

The National Rural Housing Coalition (NRHC) is pleased to submit the following proposal on fostering economic growth in rural communities through increased appropriations for U.S. Department of Agriculture (USDA) Rural Development (RD) Rural Housing Service (RHS) programs as well as rural water and wastewater programs.

NRHC is a national membership organization comprised of rural community activists, public officials, and nonprofit developers that advocates for better housing and community services for low-income, rural families. NRHC works to promote and defend the principle that rural people have the right — regardless of income — to a decent, affordable place to live, clean drinking water, and basic community services.

Rural Communities are in desperate need of economic growth. Even before the financial crisis, it was hard to argue that rural America was not already in economic distress. Rural communities have higher poverty and unemployment rates than other metropolitan areas and the rural communities have higher incidents of substandard housing and rent overburden. Virtually every community in the country with inadequate drinking water has a population of 3300 or less. The financial crisis finds rural America in worse shape still. Although the sub-prime crisis is largely viewed as urban, a significant portion of micropolitan areas have high rates of foreclosures, and delinquencies.

According to the 2000 census, approximately 55.4 million people or 20% of the population resides in non-metropolitan areas. From 1990-2000, the non-metropolitan population in the United States grew by 10%. Generally incomes in rural areas have typically been lower when compared with the rest of the country because of the high proportion of low-skill and lower paying jobs combined with a lower overall educational attainment level. The rate of poor adults living in rural areas with less than a high school education is nearly 45%, as compared to 40% in metropolitan areas. The rate of poor adults living in rural areas with no more than a high school education is 32.8%, as compared to 30.7% in metropolitan areas. As a result, workers located in rural areas in general are nearly twice as likely as their urban counterparts to earn minimum wage, are more likely to be underemployed, and are less likely to improve their job circumstances over time.
Poverty in rural America remains a persistent problem; particularly in the nation's high need rural areas such as central Appalachia, the Lower Mississippi Delta, the southern Black Belt, border Colonias areas, and Native American lands. Rural counties make up the majority of the persistently poor counties in this country (340 of 386). The Economic Research Service (ERS) of the U.S. Department of Agriculture (USDA) defines counties as being persistently poor if 20 percent or more of their populations were poor over the last 30 years. Of the 386 persistently poor counties, 340 are non-metropolitan rural counties. Of this number, 280 are located in the South while the remaining 60 are located in the West and Midwest.

Rural areas continue to lag behind their urban counterparts on some indicators of economic well-being. In 2005, approximately 7.5 million or 15.1% of rural Americans were living in poverty compared with 12.5% of individuals in metropolitan counties (Jensen, 2006). The poverty rate for children living in rural areas is also higher than that of metropolitan areas: 19.7% of children living in rural America are poor – nearly one in five - compared to 16% of children living in metropolitan areas. Compared to their metropolitan counterparts, households located in rural areas also have lower incomes. In 2003 the non-metropolitan median household income was $35,112 which was well below the metropolitan median of $46,060. (Rural America at A Glance, 2004)

Impact of Housing and Water Infrastructure Investments on Economic Growth

In 2017, NRHC conducted an Impact Survey of 104 nonprofit organizations that engage in housing and community development activities in rural communities across the country.[1]

The 2017 Impact Report shows that in FY 2016, nonprofit housing organizations helped low-income families and communities secured $1 billion in financing to build, purchase, preserve, or rehabilitate 6,505 units of affordable housing and improved access to rural water and sewer systems for 138,115 of families. This resulted in the creation of 13,920 jobs; over $816.43 million generated income, and $442.20 million in tax revenue.

Eighty-four organizations reported on their homeownership program activity. In FY 2016, these organizations:

- Secured $314.5 million in financing from federal, state, local, and private resources to help rural families access safe, clean, and affordable housing;
- Assisted 3,139 families in rural communities with rehabilitating, constructing, or purchasing their homes; and
- Helped 378 families participating in the Section 523 Mutual Self-Help Housing Program. These families contributed over $6.885 million in sweat equity by assisting each other in the construction of their homes – averaging $18,215 per family.

Twenty-two survey responders reported on their multifamily housing activity. In FY 2016 these organizations:

- Developed, constructed, preserved, or rehabilitated of 2,859 rental housing units;
- Secured over $472 million in financing for the development, construction, preservation, and rehabilitation of rural rental housing units; and
- Owned, managed, or sponsored 298 developments, comprising some 10,006 units.

Four organizations reported on their water and sewer activity. In FY 2016, these organizations:

- Secured over $92 million in financing for 106 water or sewer projects for construction of new systems, repairing or replacing existing systems, consolidating systems, or addressing regulatory compliance issues;
- Provided technical assistance on 97 projects, totaling some $64.35 million in financing; and
- Improved access to affordable and safe water for 138,115 rural families.

[1] The 2017 NRHC Impact Report is available at http://ruralhousingcoalition.org/news-publications/nrhc-2017impactreport.

With this in mind, NRHC supports expansion of federal rural housing and community facilities financing programs.

Section 502 Direct loans	$2,000,000,000
Section 523 Mutual Self-Help	$50,000,000
Section 515 Rural Rental Housing Loans	$40,000,000
Water-Wastewater Loans	$1,250,000,000
Water-Wastewater Grants	$375,000,000

Investing in these programs will create better communities, and improve housing conditions and community facilities. As our 2017 report indicates, the availability of additional financing for housing and water and waste disposal systems will create both construction and permanent jobs and add to the local tax base.

Through its single family housing programs, USDA provides direct loans or loan guarantees to help very-low and low-income rural families buy safe and affordable housing in rural areas. In addition, RHS also provides loans and grants to help low-income rural residents make health and safety repairs to their homes that are necessary to keep their home habitable. USDA's multifamily housing programs include loans for affordable rental housing for very-low-, low- and moderate-income residents, who are often the elderly and persons with disabilities. USDA also provides loans and grants for the development of rental housing for farm workers. USDA provides rental assistance to some of America's neediest rural residents. The USDA Rural Utilities Service (RUS) provides loans and grants to assist rural communities in financing necessary upgrades and repairs to their water and wastewater systems. These programs help low-income communities access clean drinking water and develop and maintain safe wastewater systems.

Background on USDA programs
Section 502 Direct

Low- and very-low income families living in rural communities participating in the Section 502 Direct Home Loan Program receive direct, subsidized loans that allow them to afford safe and decent housing at a rate based on the family's income. By law 40 percent of Section 502 Direct borrowers must be very-low income, meaning they earn less than 50 percent of the area median income (AMI). Unlike the Section 502 Guaranteed Loan program, which targets families that earn up to 115 percent of the AMI, the Direct program overwhelmingly serves families with lower incomes – with an average income of $28,268, or nearly half that of the Guaranteed Loan program ($48,000).[2]

In FY 2016, RHS fully obligated the $900 million loan total that it was regularly appropriated, but also an additional $58.3 million that was not being utilized through other programs.

Section 523 Mutual Self-Help

[2] The income levels provided here were obtained from the FY 2015 USDA Rural Housing Service Congressional Justification, which reported on 2013 program data. Available at: http://www.obpa.usda.gov/29rhs2015notes.pdf.

Through the Section 523 Mutual Self-Help Housing program, hardworking low- and very-low income families are able to achieve homeownership by building their own homes under the supervision of Mutual Self-Help grantee organizations.

Under this program, close to 100 organizations across the nation support families as they work on nights and weekends. Self-Help Housing families have the lowest rates of default and delinquency, and are able to earn sweat equity – on average $18,215 per family – which assists them with making a down payment on their home.

NRHC supports a funding level of $30 million for Section 523.

Section 515 Rural Rental Housing Loans

Rural renters tend to be some of the worst housed of all rural renters, and have lower incomes and higher rates of poverty. In many rural communities, properties financed through the Section 515 Rural Rental Housing Loan program are often the only source of affordable rental housing. As of 2015, over 90 percent of Section 515 tenants are very-low income. All rental housing units financed with Section 515 are exclusively targeted to those with the greatest needs, including lower-income families, the elderly and persons with disabilities.

A vast majority (92.25 percent as of 2015) of Section 515 tenants have very low incomes, earning no more than 50 percent of the Area Median Income (AMI). As a result, the average Section 515 tenant earns just $12,377 each year. In addition, 62 percent all Section 515 households are elderly or disabled tenants, 31.2 percent are headed by persons of color and 71.1 percent are headed by women. Because the Section 515 Loan Program can be combined with other rental subsidy programs, including the Section 521 Rural Rental Assistance program, rents are more affordable to these at-risk populations. In fact, the average rent for a one-bedroom, Section 515-financed housing unit is just $488 per month. For many Section 515 tenants with limited means, the lower rents under the Section 515 program can mean the difference between being able to afford basic needs, such as nutrition and healthcare, and foregoing those needs to pay for rent.

NRHC recommends funding this important program at $40 million for FY 2018.

Background Material

Case Studies:

For additional information on how funding for housing and community facilities positively impacts low-income families and their communities in rural America, please read the 2017 NRHC Impact Report, available at: http://ruralhousingcoalition.org/news-publications/nrhc-2017impactreport. There are 23 success stories included in the report.

FY 2017 House and Senate Agriculture Appropriation Bills Funding Levels, with NRHC Request:

Program	House FY 2017 Level H.R. 5054	Senate FY 2017 Level S. 2956	NRHC FY 2018 Request
Section 502 Direct	$1,000,000,000	$900,000,000	$1,000,000,000

Section 523 Mutual Self-Help	$30,000,000	$27,500,000	$30,000,000
Section 515 Rural Rental Housing Loans	$35,000,000	$40,000,000	$40,000,000
Section 514 Farmworker Housing Loans	$23,855,000	$23,857,000	$23,857,000
Section 516 Farmworker Housing Grants	$8,336,000	$8,336,000	$8,336,000
Section 521 Rental Assistance	$1,405,030,000	$1,405,030,000	$1,405,030,000
Water-Wastewater Loans	$1,250,000,000	$1,200,000,000	$1,250,000,000
Water-Wastewater Grants	$375,000,000	$364,380,000	$375,000,000

Economic Impact Models:
"The Economic Impact of Home Building in a Typical Local Area: Income, Jobs, and Taxes Generated, the National Association of Home Builders, available at: https://www.nahb.org/~/media/sites/nahb/economic%20studies/1-report_local_20150318115955.ashx?la=en

"The Economic Benefits of Investing in Water Infrastructure," Value of Water Campaign, available at: http://thevalueofwater.org/sites/default/files/Economic%20Impact%20of%20Investing%20in%20Water%20Infrastructure_VOW_FINAL_pages.pdf

Isabelle Cohen, Thomas Freiling, and Eric Robinson, "The Economic Impact and Financing of Infrastructure Spending," The College of William and Mary, available at: https://www.wm.edu/as/publicpolicy/documents/prs/aed.pdf.