

NATIONAL RURAL HOUSING COALITION

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

September 25, 2018

Hon. Elizabeth Warren
US Senate
Washington, DC 20510

Dear Senator Warren:

I write on behalf of the National Rural Housing Coalition, (NRHC) a national membership organization that advocates for policies and programs to improve housing conditions in rural communities. NRHC is pleased to endorse the American Housing and Economic Mobility Act of 2018. Your legislation is a sorely needed response to the lack of affordable housing in America. We applaud the provisions in the bill that increase the Housing Trust Fund and the Capital Magnet Fund as well as a new program to assist homeowners with negative home equity. These provisions will all be of great benefit to rural America.

Of particular interest to NRHC are the provisions increasing the rural housing programs administered by the US Department of Agriculture (USDA). The bill is a historic investment that will improve the quality of rural housing and decrease housing costs for rural families.

By any measure, most of rural America has still not recovered from the Great Recession. According to the Economic Research Service, since 2007 rural median income has averaged 20 percent below the urban median. Over 15 percent of all rural counties, close to 400, are persistently poor with at least 20 percent of the population living in poverty over the last 30 years.

It is evident that rural America needs improved housing:

- A disproportionate amount of the nation's occupied substandard housing is located in rural areas. As reported by the Housing Assistance Council, the 2010 Census revealed that of the approximately 116 million occupied housing units available in the United States, 25 million units are located in rural and small communities. Over 5 percent, or 1.5 million, of these homes are considered either moderately or severely substandard. Although most Americans take indoor plumbing and potable water at the tap for granted, it is unavailable to the 4 percent of rural occupied units;
- Homeownership is the overwhelmingly preferred standard of housing in rural America, and the homeownership rate is higher in rural areas than non-metropolitan areas (72 percent compared to 66 percent in 2012). However, the equity rural Americans accumulate in their homes is generally less than in urban areas. For example, a 2016 report by Zillow found that between 2010 and 2015, the average home value in urban areas grew 28.4 percent, compared to just about 6.25 percent in rural areas;
- According to a recent report by the Harvard Joint Center for Housing Studies, 41 percent (5 million households) of rural renters are cost-burdened, meaning that they pay more than 30

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- percent of their income for housing costs, and 21 percent (2.1 million households) of rural households that rent pay more than 50 percent of income for housing; and
- Finally, the lack of decent housing is increasingly an obstacle to economic growth. The Wall Street Journal found that the number of rural homes built in 2010 totaled only 14 percent of the United States total and that number has fallen to 10 percent in recent years. *“In short, fewer homes are being built per household than any other time in US history and it is even worse in rural areas. As a result of that lack of housing, employers with available jobs cannot find workers because they have no place to live”*.¹

Against this backdrop, both successive Congresses and administrations have diminished or ignored rural housing needs by slashing budgets for USDA home ownership and rental housing programs. We are particularly pleased that your legislation addresses this problem by:

- Doubling Direct Homeownership Loans for Moderate Income Families - this program, authorized under section 502 of the Housing Act of 1949, provides low interest loans for families to build, purchase, or construct single family housing. It is exclusively targeted to rural families earning less than 80 percent of the Area Median Income (AMI), and by law, 40 percent of all program funds must be used to help families earning less than 50 percent of AMI. Despite serving rural families with limited economic means, it is one of the most cost-effective federal housing programs. In Fiscal Year 2018, the total average cost to the federal government of a section 502 loan to a low income family is \$5,100. In FY 18, some 7000 low income families will receive loans under section 502. The American Housing and Economic Mobility Act will increase that number to 14,000;
- Increasing Mutual and Self Help Housing - Section 523 Mutual Self-Help Housing is the *only* federal program that combines “sweat equity” homeownership opportunities with technical assistance and affordable loans for America’s rural families. Groups of 6 to 12 Self-Help Housing families, under the guidance of nonprofit self-help grantee organizations, work nights and weekends to provide 65 percent of the construction labor on their own and each other’s homes. In doing so, families earn equity; decrease constructions costs, and make lasting investments in their community. Due to the popularity and success of the program, some 30,000 families are on the waiting list to participate in Mutual Self Help housing. By increasing the appropriation for Mutual Self Help housing to \$70 million, more than 3000 families will be able to participate in this program;
- Preserving USDA’s Rental Housing Portfolio - in many rural communities, the rental housing financed by USDA - mostly through its Section 515 Rural Rental Housing program - is the only affordable housing in town. According to a 2016 USDA report, the cost to preserve and maintain this portfolio of some 450,000 units over 20 years totals \$5.6 billion. The majority of residents at these developments are low income and most are elderly households. Setting section 515 funding at \$500 million annually, the Act attacks the problem head-on and saves
-
- money by accelerating the timetable for preservation and repair. Your legislation improves housing for rural families and saves money; and

¹ Raice, Shayndi. “Rural America Has Jobs. Now It Just Needs Housing.” *Wall Street Journal* 30 May 2018.

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- Improving Housing Conditions for Agriculture Workers - USDA's Section 514/516 Farm Labor Housing program provides critical low-cost loans and grants to help build, improve,
- and preserve affordable housing for America's farmworkers, who suffer from extremely high levels of poverty and who frequently live in substandard, crowded conditions. On average, the program finances less than 1,000 units per year. This amount pales by comparison to the need. For example, in Texas, more than 99 percent of the state's farm labor housing needs are unmet. Washington State has over 1,500 farms that produce over \$1.76 billion in agricultural products annually. While this is significant economic activity, hard-working farmworker families have very low incomes and some still live in cargo containers that were converted to temporary housing. In California, more than 800 families are currently on the waiting list for a single farm labor housing project. The American Housing and Economic Mobility Act increases production of affordable rental housing for migrant and seasonal farmworkers to 6,000 units per year.

Thank you for your leadership on this important issue. We look forward to working with you to improve housing conditions for rural and urban households across America.

Sincerely,

Robert A. Rapoza
Executive Secretary

