

# Congress of the United States

Washington, DC 20515

March 16, 2007

Honorable Rosa DeLauro

Chairwoman

Subcommittee on Agriculture, Rural Development,

Food and Drug Administration and Related Agencies Appropriations

2362A Rayburn

Washington, DC 20515

Dear Chairwoman DeLauro:

There is a housing crisis in rural America. We are requesting that you restore funding for the following USDA rural housing programs in fiscal year 2008:

- Section 502 direct homeownership loans \$1.25 billion;
- Section 515 rental housing loans \$100 million;
- Section 523 self-help housing \$60 million; and
- Section 514/516 farm labor housing \$50 million each.

The Administration's Fiscal 2008 budget takes square aim at these programs. The budget cuts spending for rural housing by some 71% and eliminates over \$1.3 billion in rural housing lending assistance targeted to low income families. If the Administration's budget is approved, it will be the first time in 40 years that the Agriculture Department has not offered direct lending assistance to help low income rural families improve their housing conditions.

According to the Economic Research Service of the US Department of Agriculture some four million rural families live in "housing poverty", a multidimensional indicator that combines measures of economic need, housing quality and neighborhood quality. What is more, the 2000 Census revealed that 5.5 million people, one-quarter of the non-metro population, face cost overburden and 1.6 million non-metro housing units are either moderately or severely substandard.

As you know, the President's budget calls for the elimination of the Section 502 Direct Loan Program, which is one of the nation's most responsible loan programs for rural communities. Under the present Section 502 program, borrowers may obtain loans for the purchase or repair of new or existing single-family housing in rural areas. Borrowers with income of 80% or less of the area median may be eligible for the direct loans, and may receive interest credit to reduce the interest rate to as low as 1%. The loans are repayable over a 33-year period. In a given fiscal year, at least 40% of the units financed

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under this section must be made available only to very low-income individuals or families. The Section 502 direct loan program is an extremely efficient program which results in a total cost to the Federal government of only \$10,000 per loan. There currently is a backlog of more than \$3.4 billion in loan applications for this program. We encourage you to provide \$1.25 billion in funding for Section 502 in fiscal year 2008.

The President's budget also proposes to eliminate funding for the Rural Housing Service Section 515 program. The Section 515 program plays a critical role in facilitating affordable rental housing in rural areas, by providing funds both for new construction and for the repair and preservation of RHS Section 515 affordable rental housing units. The Section 515 program is the only authorized Federal program that provides direct loans for multi-family housing in rural areas. Units built under the 515 program provide affordable rental housing for persons of low, very low, and moderate incomes living in rural areas, many of whom are elderly and disabled. The 515 program also provides funding for the repair and rehabilitation of existing 515 affordable rental housing units, in order to encourage owners to remain in the program and serve lower income families in rural areas. We encourage you to provide \$100 million in funding for Section 515 in fiscal year 2008.

The President's budget proposes \$9.75 million in funding for Section 523 Self Help Housing which is a reduction of over 70%. Self-Help Housing makes homes affordable by enabling future homeowners to build their homes themselves. Section 523 Self Help Technical Assistance Grants provided to qualified nonprofit and local government organizations to provide technical assistance to low and very low-income families who are building homes in rural areas in conjunction with the Section 502 Mutual Self-Help Housing Loan Program. The grant funds are used to assist eligible families in applying for Section 502 loans, provide pre-purchase homebuyer education, and supervise construction of the housing by the family.

Due the tremendous success in serving minority households, doubling self help housing is one of the element's of USDA's 'Five Star Commitment to Increasing Minority Homeownership'. But despite the proven success of the self-help model and the momentum that it has built over recent years, budgetary restrictions have made it difficult for RHS to keep pace with demand for Section 523. In fiscal year 2007, a total of \$34 million was made available for self-help housing grants. However, the total necessary for extending grants for performing programs that expire in 2008 is \$60 million. We encourage you to provide \$60 million in funding for Section 523 in fiscal year 2008.

The President's budget reduces farm labor housing funding in Section 514 Farm Labor Housing Loans and in Section 516 Farm Labor Housing Grants by two thirds. As you know, there is a tremendous need for assistance for farm worker housing. Migrant and seasonal farm workers are some of the nation's most poorly housed populations. Farm workers and their families are some of the poorest yet least assisted people in the nation. Approximately 61% percent of farm workers earn incomes below the poverty level.

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60% of their households are the ones who are also more susceptible to live below the poverty threshold which is six times the national rate. However, less than 20% of farm worker households receive public assistance in any form. We encourage you to provide \$50 million in funding for Section 514 and 516 in fiscal year 2008.

For these reasons, we urge you to reject the Administration's Rural Development budget. The Administration has already made substantial cuts in federal rural development spending. Over the past 6 years, federal spending on rural housing and community development programs have been reduced by more than 20%. We strongly urge you to reject the reductions proposed in the Fiscal 2008 budget and provide adequate funding for federal rural housing and community development programs.

Sincerely,

Rubin Hernandez

Ben Ray Lujan

Tommy Green

Al Green

Charles A. Wilson

Ron Paul

Ernest Cuellar

Boyd Rostenkowski

Nancy Boyd

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