



Housing Assistance Council

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**Statement for the Record
of Moises Loza, Executive Director,
Housing Assistance Council
before the Committee on Financial Services,
Subcommittee on Housing and Community Opportunity,
U.S. House of Representatives
July 15, 2009**

Thank you for the opportunity to submit testimony to the Subcommittee on the Rural Housing Preservation Act of 2009, introduced as H.R. 2876. And thank you, Chairwoman Waters and Ranking Member Capito, for holding this hearing. The Housing Assistance Council (HAC), a national nonprofit organization established in 1971, is dedicated to improving housing conditions for low-income rural Americans. HAC provides financing, information, and other services to nonprofit, for-profit, public, and other providers of affordable rural housing.

Throughout its existence, HAC has been active in efforts to preserve decent, affordable rental housing for the low-income and very low-income rural tenants who often have no other housing options. HAC convened blue ribbon task forces in 1991-1992 and, with the National Housing Law Project and with support from the John D. and Catherine T. MacArthur Foundation, in 2004-2005, to make major rural housing preservation policy recommendations. The U.S. Department of Agriculture and the MacArthur Foundation have supported HAC's Preservation Revolving Loan Fund to assist owners and purchasers with preservation efforts. HAC sponsored a national rural housing preservation conference in 2005 and a preservation training conference in 2006, has had preservation training tracks in the biannual HAC National Rural Housing Conference from 2004 through 2008, and is currently planning another national rural preservation conference for September 2009. In addition, the organization has published research reports, guides for nonprofit organizations and public agencies, numerous articles, and two special issues of its quarterly magazine on the topic.

HAC thanks Rep. Lincoln Davis and Rep. Geoff Davis for introducing this bill, and Chairman Frank, Rep. Hinojosa and numerous other Members of Congress for cosponsoring it. All of these Members and their staff have consistently supported low-income rural renters and the government's investment in decent, affordable homes.

We also would like to recognize and commend Chairwoman DeLauro, Rep. Lincoln Davis and the other members of the Agriculture Appropriations Subcommittee for supporting rural preservation initiatives in their bills.

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The Rural Housing Preservation Act of 2009

The Housing Assistance Council supports H.R. 2876. The National Rural Housing Coalition and other witnesses at this hearing have provided extensive information about the need for Section 515 preservation, demonstrating the importance of the significant tools this bill would provide for the ongoing efforts of the U.S. Department of Agriculture Rural Development (RD) to preserve rural rental properties in its Section 515 portfolio.

H.R. 2876 would make permanent two demonstration programs: one to preserve and revitalize Section 515 rental housing (known as MPR), and one providing vouchers to tenants in properties that leave the Section 515 program. As noted in the testimony of the National Rural Housing Coalition and others, the MPR demonstration has proved its usefulness repeatedly over the last few years. RD's voucher program has a more mixed record.

Vouchers

RD vouchers serve an essential function: they enable tenants to continue to afford their apartments when properties leave the Section 515 program through prepayment or foreclosure. HAC is troubled by recent indications that time limits may be imposed on voucher recipients. The Senate report (S. 111-39) accompanying S. 1406, the 2010 agriculture appropriations bill, states that:

When originated this [voucher] pilot was envisioned to provide limited, transitional assistance to aid tenants in obtaining alternative living arrangements with affordable rents The Committee directs the Secretary [of Agriculture] to review experiences and lessons learned under this pilot, and propose a program that is limited in duration and transitional in nature.

HAC has been unable to find any record of intent to limit voucher assistance when the program was created. Section 542, which authorizes RD to issue vouchers, was adopted in 1991 without time limits. There are no expressions of such intent in the appropriations bills for fiscal years 2005 through 2009, which funded the preservation vouchers; on the contrary, the bills require RD to operate the program consistent with the Section 8 voucher program, which has no time limits. RD has not adopted regulations for its preservation vouchers. The only relevant statement appears in RD's notice of fund availability (NOFA) for the FY 2008 voucher program (*Federal Register*, March 24, 2008, pp. 15473-75):

The Rural Development voucher will help tenants by providing a short-term rental subsidy, up to 36 monthly payments, that will supplement the tenant's rent payment. This short-term subsidy enables a tenant to make an informed decision about remaining in the property, moving to a new property, or obtaining other financial housing assistance.

The 36-month time period is not mentioned in the FY 2009 NOFA (*Federal Register*, April 29, 2009, pp. 19510-13). It states only: "The voucher is renewable subject to the availability of appropriations to the USDA."

Even if the NOFAs and statutes did provide a 36-month limit, tenants cannot use their 36 months to make decisions if they do not know they need to make such decisions. It is HAC's understanding that the notices provided to tenants about their vouchers do not inform them of a time limit or a need to make other arrangements.

In short, then, it is not clear whether time limits exist for vouchers issued to date. It is clear, however, that time limits are not realistic for a substantial majority of Section 515 tenants, and therefore should not be imposed for past or future voucher recipients. The fixed incomes of the predominantly elderly and disabled tenants of Section 515 properties will not enable them to afford market rate rents in the future, and they seldom have other good housing options in the towns where they live.

HAC encourages the Subcommittee to add a provision to the preservation bill making clear that RD voucher holders, like U.S. Department of Housing and Urban Development Section 8 voucher holders, may receive assistance for as long as they need it and as long as funding is available.

Preservation Revolving Loan Fund

HAC recommends a possible addition to H.R. 2876. It is to include language authorizing the USDA Preservation Revolving Loan Fund. This House and Senate agriculture appropriators since 2005 have included funding in their bills for this small but innovative program, but it has not been authorized. As noted above, HAC and other state and national organizations have successfully used the program for relending to preserve Section 515 units.

Farm Labor Housing

HAC encourages the Subcommittee to add Section 514/516 Farm Labor Housing to the rural preservation bill. In FY 2008 and 2009, appropriations language made these properties eligible for the MPR preservation demonstration for the first time. HAC understands that no Section 514/516 property owners applied for MPR in FY 2008 but, now that these owners have had time to learn about the program and plan ways to use it, there are applications for FY 2009 funds. Most of the Section 514/516 buildings, like Section 515 developments, were constructed 20 or more years ago, and need renovations. A permanent revitalization program should address their needs as well.

Ineligible Owners Provision

Section 545(h)(3) of the preservation program created by this bill would make property owners ineligible if they participated in legal action related to prepayment unless they contributed a portion of any damages received, up to \$100,000. Property owners contend that this provision violates the settlement agreement reached in one such lawsuit. The settlement agreement is not public, however, so those who were not parties to the litigation are being asked to accept this interpretation of the agreement's provisions without an opportunity to evaluate it.

The contribution requirement is fair and reasonable. The federal government has assisted these properties in the form of a settlement payment, and should not be required to duplicate that payment in order to preserve the properties. Owners are not asked to use their entire

settlement; their contribution is capped at \$100,000. The need for the revitalization program far exceeds the resources available. To preserve as many properties as possible to serve their intended purpose – to provide decent, affordable housing to low- and very low-income rural tenants – federal funds must be stretched as far as possible.

Producing New Units

Finally, HAC observes that rural America needs not only preservation of existing decent, affordable rural rental housing units, but also production of new units. HAC commends the House for supporting increased annual appropriations for the Section 515 program in the 2010 USDA spending bill.

Conclusion

The Housing Assistance Council appreciates the efforts of Congress and the Administration to address the serious issues connected with the aging rural rental housing stock. It will not be easy to meet the national housing goal, stated in the Housing Act of 1949, of providing “a decent home and a suitable living environment for every American family.” Preserving the current homes of tens of thousands of low-income rural tenants, and continuing to produce new homes for others, will be important steps in that direction.