Statement for the Record of David Lipsetz,
President & CEO, Housing Assistance Council
U.S. Senate Committee on Banking, Housing, and Urban Affairs
Housing, Transportation, and Community Development Subcommittee
May 2, 2023

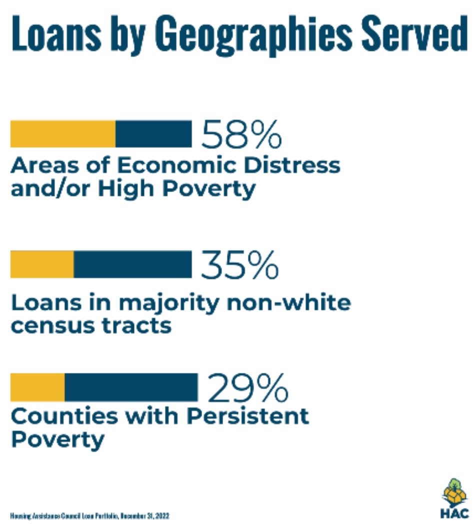
INTRODUCTION

Chairwoman Smith, Ranking Member Lummis, and Members of the Subcommittee, greetings and thank you for this opportunity to testify on improvements to the Rural Housing Service (RHS) programs at the U.S. Department of Agriculture (USDA). My name is David Lipsetz and I am President & CEO at the Housing Assistance Council (HAC).

HAC is a national nonprofit that helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, DC, and working in all 50 states, we provide technical assistance to community-based organizations, loans for affordable housing development, and in-depth research on rural community economics. HAC has a specific focus on high-needs rural regions and areas of persistent poverty, including rural Appalachia, Native American communities, the Mississippi Delta and southern Black Belt, farmworker communities, and the Southwest border colonias. Our current lending portfolio is helping to construct, preserve, or renovate over 3,000 homes, spread across 27 states and concentrated in communities of economic distress and majority non-white census tracts with persistently high poverty.

HAC also produces robust research on rural housing, demographics, and poverty, with leading public and private sector institutions relying on HAC's research and analysis to shape policy. We are independent and assiduously nonpartisan and regularly respond to Congressional committees and Member offices with the research and information needed to make informed policy decisions. To learn more, please visit www.ruralhome.org. If you need to know how a new program or policy could impact America's smallest towns, please do not hesitate to call on us.

Personally, I have in-depth knowledge of the Rural Housing Service and its programs, with the perspectives of both an insider and an outside expert. Before I joined HAC in 2017, I served as RHS's Associate Administrator and Chief of Staff. It is an honor to be here today to talk about these important rural housing programs and how they could be improved to even better serve our communities.



RURAL HOUSING LANDSCAPE

The people of rural America reside in approximately one quarter of the United States' homes and occupy 97 percent of our nation's landmass. There is immense diversity among our rural towns and small settlements, yet there is also a set of community and market conditions, as well as shared federal policy challenges, that tie this vast landscape together.

It is one of the few parts of our economy that still has a trade surplus. Rural places launch over half of our small businesses, provide nearly all of the fiber and minerals for our industries, and produce nearly all of the renewable and fossil fuels that power our homes, cars, and infrastructure.

With the continuing outmigration of working age residents, rural communities contain larger shares of older residents. Racial and ethnic diversity is also increasing in rural America, as it is throughout the country. These demographic drivers are important bellwethers of housing markets and demand. An older, less mobile, yet more diverse rural population will require housing options and solutions currently not available in many rural communities across the nation. While housing issues from the pandemic are not to be overlooked, far too many rural residents struggled with housing problems and inadequacies for years, if not decades, before COVID-19.

We Are A Nation Of Homeowners – Especially In Rural America

Owning a home has traditionally been the bedrock of the "American Dream," conveying prosperity, financial security, and upward mobility. The United States is largely a nation of homeowners and homeownership is more prevalent in rural areas. But many rural households still face challenges in accessing, attaining, and affording the purchase of a home. Lack of available stock, high housing costs relative to incomes, and high-cost loans are barriers to homeownership.

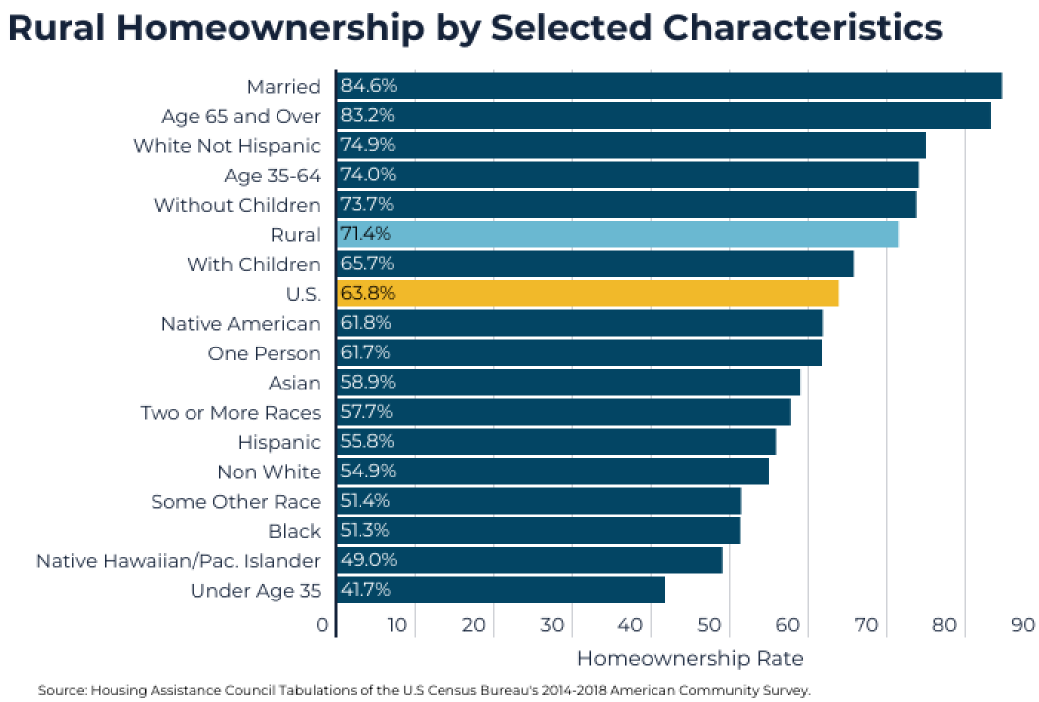
In 2020, 64.4 percent of U.S. homes were owner-occupied. This rate is lower than the 2010 homeownership level of 66.6 percent, but homeowner rates have consistently been above 60 percent since the 1960s. In rural and small-town communities, homeownership rates are even higher than the national level. Approximately 16.8 million, or 72 percent of occupied homes in rural communities are owned by their inhabitants. Consistent with national trends, rural [?] homeownership rates declined slightly between 2010 and 2020.[1]

Rural America also has a higher level of "true homeownership." True homeownership describes homeowners who own their homes without a mortgage. This is often referred to as "free and clear" ownership. Nearly half of rural and small-town homeowners own their properties with no mortgage debt, compared to about 37 percent of all U.S. homeowners.[2] There are several reasons for the higher rate of true homeownership in rural and small town areas. These include the presence of manufactured homes and the age of the residents. Manufactured homes are often financed with personal property loans which have shorter loan terms than typical mortgages. In addition, the population in rural areas tends to be older than that of the nation as a whole and, as homeowners age, their mortgage debt typically decreases.

---

[1] Housing Assistance Council tabulations of the U.S. Census Bureau's 2016-2020 American Community Survey 5-Year Estimates.

[2] Housing Assistance Council, *Rural Research Brief: Homeownership in Rural America,* June 29, 2020, https://ruralhome.org/homeownership-in-rural-america/.



But ownership of housing also varies across geography, age, and racial and ethnic groups in rural and small-town communities. Similar to national characteristics, non-white and Hispanic rural and small-town residents have substantially lower homeownership rates than white non-Hispanic households. Approximately 75 percent of rural and small town white non-Hispanics own their homes while only 55 percent of minority households own their homes. Black rural and small-town households (51 percent) and Native Hawaiian and Pacific Islanders (49 percent) are the least likely groups to own their homes.[3] But non-white and Hispanic rural residents are nearly 8 percent more likely to own their homes than minorities in the nation as a whole.

Affordability Is The Greatest Housing Challenge In Rural America (By Far)

Housing costs nominally tend to be lower in rural areas than within suburbs and cities. Despite these cost dynamics, an increasing number of rural households find it challenging to pay their monthly housing expenses. Over 5.6 million – or one quarter of rural households – pay more than 30 percent of their monthly income toward housing costs and are considered cost-burdened. The incidence of housing cost burden has increased markedly for rural households over the past few decades. Housing affordability problems are especially problematic for rural renters. A full 44 percent of rural renters are cost-burdened, and nearly half of these renters

[3] HAC, *Homeownership.*

are paying more than 50 percent of their monthly income toward housing costs.[4] Almost 40 percent of cost-burdened rural households are renters – a much higher proportion than the overall housing stock.[5]

Housing affordability problems are not limited to rural renters. The majority of rural cost-burdened households are actually homeowners. Similar to national trends, home purchase prices have escalated unabated in many rural communities, making home purchase options largely unaffordable to many low- and moderate-income rural Americans. Nationally, the average price of a new single-family home in the United States has skyrocketed over the past few years. According to the most recent Census Bureau and U.S. Department of Housing and Urban Development (HUD) reporting, the median sales price for a new home sold in the United States in the last quarter of 2022 was $467,700.[6]

Relatedly, the Federal Housing Finance Authority's Housing Price Index reached its highest level since 1980 in the third quarter of 2022.[7] The price of new homes financed with USDA's home loan guarantee has witnessed similar increases and spikes in prices to those national trends. In fiscal year 2022, the average loan amount for a USDA guaranteed loan was $185,241 – up 31 percent from 2019.[8] While median housing prices have increased nationally over the past 10 years, income growth in many rural communities has remained stagnant, also exacerbating the affordability challenges in rural markets.

Rental Housing Is Essential To Healthy Communities, But Options Are Often Limited And Expensive For Rural Renters

While homeownership is often described as an important part of the American Dream, rental housing is also essential because many households cannot or choose not to own a home. Some of the most economically vulnerable rural residents rent their homes. Yet far too many of them live with rental costs they cannot afford, physically inadequate homes, or overcrowding. At the same time, the supply of affordable rural rentals is shrinking.

About 28 percent of rural households (and the same proportion of suburban residents) rent their homes, compared to just over half (52 percent) in urban places. In keeping with the less dense nature of rural areas, rural renters are likely to live in much smaller buildings than their

---

[4] Housing Assistance Council tabulations of the U.S. Census Bureau's 2016-2020 American Community Survey 5-Year Estimates.

[5] Housing Assistance Council tabulations of the U.S. Census Bureau's 2016-2020 American Community Survey 5-Year Estimates.

[6] U.S. Census Bureau and U.S. Department of Housing and Urban Development, "Median Sales Price of Houses Sold for the United States [MSPUS]," FRED, Federal Reserve Bank of St. Louis, January 30, 2023, https://fred.stlouisfed.org/series/MSPUS.

[7] U.S. Federal Housing Finance Agency, "All-Transactions House Price Index for the United States [USSTHPI]," FRED, Federal Reserve Bank of St. Louis, January 31, 2023, https://fred.stlouisfed.org/series/USSTHPI.

[8] Housing Assistance Council, *USDA Rural Development Housing Activity: Fiscal Year 2021 Year End Report* (Washington, DC: Housing Assistance Council, 2022), https://ruralhome.org/wp-content/uploads/2022/04/USDA-Housing-Activity-Report-FY-2021.pdf.

urban and suburban counterparts. Almost three-quarters (73 percent) of rural renters occupy detached single-family homes and less than 3 percent live in properties with 20 or more apartments. Rural renters are also far more likely to live in manufactured homes than are renters in other places: 13 percent compared to 5 percent in suburbs and 1 percent in cities.

Housing costs are a significant problem for rural renters, as they are for urban and suburban residents. More than 45 percent of renters in rural America (over 2.5 million households) pay more than 30 percent of their income for rent and utilities, and nearly half of those (1.2 million) pay more than 50 percent of their income for shelter. Cost-burden rates are even higher in rural census tracts where the majority of the population is Black or Hispanic. In Black-majority rural census tracts, 55 percent of renters pay more than 30 percent of income for housing, as do 47 percent in Hispanic-majority tracts.[9]

THE ROLE OF THE RURAL HOUSING SERVICE

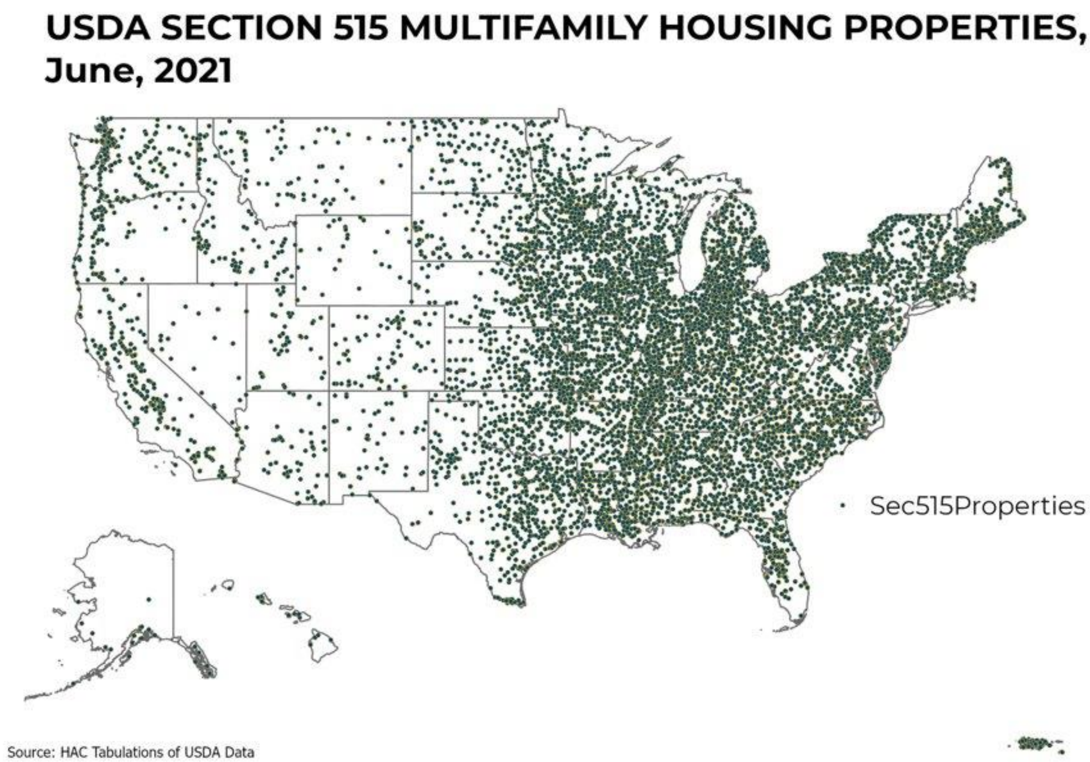
The USDA's Rural Housing Service (RHS) administers a suite of housing programs targeted specifically to residents of rural communities. These programs span the spectrum from multifamily rental to single family homeownership to capacity building and community facilities, and are authorized under Title V of the Housing Act of 1949.

The RHS programs support single family and multifamily housing through grants, direct loans, and loan guarantees. Multifamily programs at RHS include loans to develop or rehabilitate rental housing, loans and grants to finance housing for farm laborers, and rental assistance to assist tenants in those homes. The single-family programs include loans to purchase homes, loans and grants to repair homes, and grants to support self-help housing programs (programs where families invest their own labor – called "sweat equity" – in the construction of their home). And additional programs exist within RHS to help build the capacity of rural communities through targeted technical assistance, and to develop or improve essential community facilities. While all the RHS programs are critically important, we want to take some extra time to focus on the Section 515 multifamily program, which is facing a serious preservation crisis.

Section 515

Rental properties financed by USDA Section 515 loans are an important source of rental housing in many rural communities. Since the program's inception in 1963, Section 515 Rural Rental Housing loans have financed nearly 28,000 rental properties containing over 533,000 affordable apartment homes across rural America. With just under 400,000 affordable apartments in USDA's current Section 515 Rural Rental Housing portfolio, there is at least one USDA Section 515 property in 87 percent of all U.S. counties.

[9] Housing Assistance Council tabulations of the U.S. Census Bureau's 2015-2019 American Community Survey 5-Year Estimates.

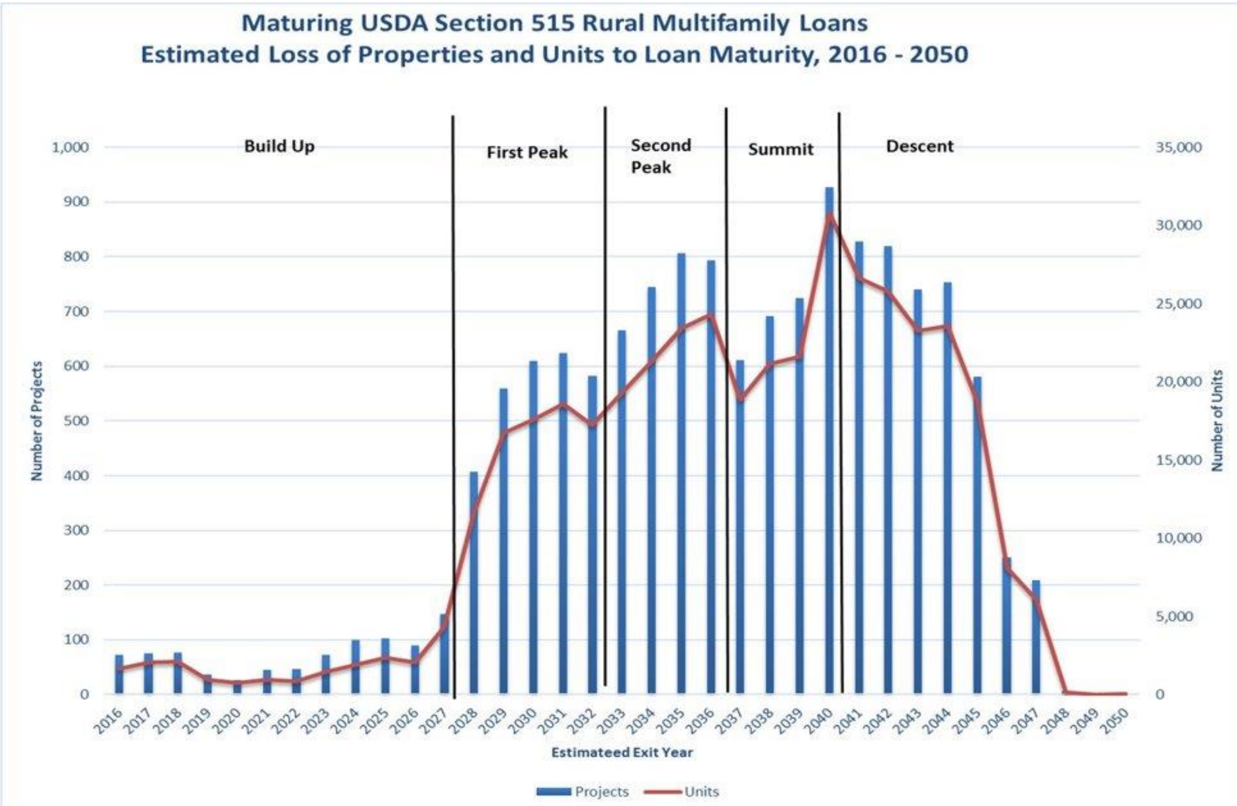


Section 515 rental units house an economically vulnerable population – two thirds are occupied by seniors and people with disabilities and tenants' annual income averages only $13,600. Yet not all tenants in Section 515 properties receive rental assistance that limits their rent to 30 percent of household income. Approximately three quarters of all Section 515 tenant households live in units that are rent subsidized through USDA's Section 521 Rental Assistance (RA) program. Another 15 percent receive some other help with their rent, such as Housing Choice Vouchers, Project-Based Rental Assistance (PBRA) or HOME program rental assistance administered by HUD. The remaining 15 percent receive no rental subsidy, with the result that more than one-third of these unassisted tenants are cost-burdened.[10]

No new construction of Section 515 properties has been financed since 2012 and, because most of these properties are several decades old, their original mortgages are reaching the ends of their terms. As the Senate report on the fiscal year 2018 agriculture appropriations bill noted, there is an "alarming number of multi-family housing mortgages scheduled to mature in the next few years. As these mortgages mature, projects and units will be removed from USDA's

[10] Joaquin Altoro, "Results of the 2022 Multi-Family Housing Annual Fair Housing Occupancy Report," Unnumbered Letter, March 21, 2023, https://www.rd.usda.gov/sites/default/files/RDUL-MFH_Occupancy_Report.pdf.

affordable rural housing program, placing very low-income rural residents in jeopardy of untenable rent increases and possible eviction."[11]



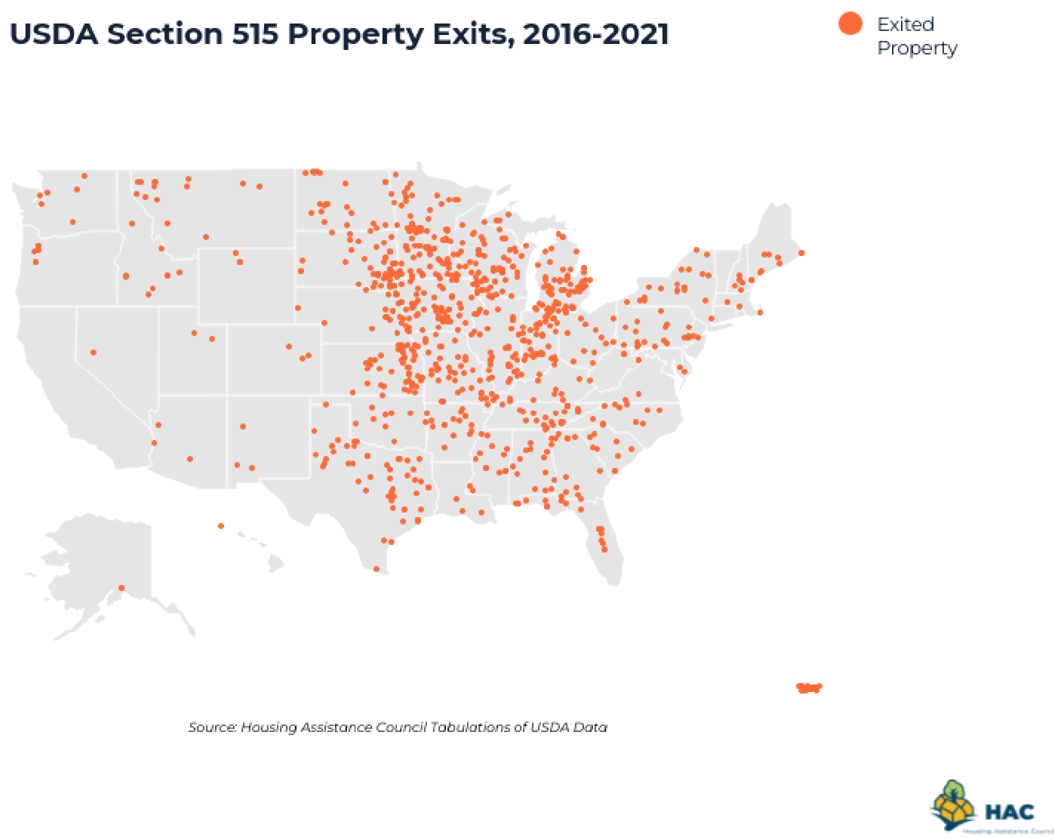
HAC recently determined that from 2016 through mid-2021 maturing mortgages removed these properties from USDA's Section 515 portfolio slightly more slowly than previously predicted. Far more properties than expected, however, left the program for reasons unrelated to mortgage maturity. HAC identified 921 Section 515 properties that left the portfolio between 2016 and July 2021 – nearly three times more than USDA had projected for maturing mortgages alone during the five-year period.[12]

---

[11] Committee on Appropriations, U.S. Senate, *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill 2018, Report S. 115-131,* July 20, 2017, https://www.congress.gov/115/crpt/srpt131/CRPT-115srpt131.pdf.

[12] Housing Assistance Council, *Rural Research Brief: An Update on Maturing Mortgages in USDA's Section 515 Rural Rental Housing Program,* March 2, 2022, https://ruralhome.org/update-maturing-mortgages-usda-section-515-rural-rental-housing-program/.

The residual impacts of this trend are exponential. Once the USDA mortgage has ended, the property owner is generally no longer subject to government oversight or regulations on use of their property (unless the project has other subsidies still in place), the federal government is no longer paying to support that housing, any remaining or replacement financing has a higher interest rate than the USDA loan, the tenants are no longer eligible for USDA Rental Assistance, and in some instances, the homes may no longer be affordable for their tenants.



THE RURAL HOUSING SERVICE REFORM ACT OF 2023

Too many federal policies and programs benefit some areas of the United States while harming others. Focusing the benefits of government on a handful of thriving metropolitan regions, while overlooking the needs of underserved rural regions, is driving economic, social, and political problems that the nation ignores at its peril. In previous eras, the United States promoted geographic dispersion in economic activity. Legislative and regulatory policies in the areas of transportation, communications, housing, trade, and antitrust helped construct an era of geographic convergence in the mid-twentieth century. Wealth was less concentrated, and opportunity more evenly distributed. The unraveling of this regulatory order around 1980 coincided with the beginning of an era of growing divergence between the economic fates of urban/suburban metropolitan areas and rural communities.

To be sure, America's small towns and rural regions are diverse demographically and economically and face a wide and differing array of local challenges and opportunities for community and housing development. While each place is unique, the data explored above demonstrates the existence of common themes.

At the same time as rural communities face challenges related to housing conditions and poverty, they often struggle to access federal tax and spending subsidies. Distribution of the nation's largest housing subsidy, the mortgage interest deduction, is skewed toward metropolitan areas. And many federal formula grants make direct allocations to cities and larger suburbs but force rural communities to go through bureaucratic hoops – and in many instances compete with other rural communities – because state government controls "balance of state" formula funding. This is fundamentally a question of equity, which is why HAC has consistently urged Congress and the Administration to take geographic equity into account in all federal policy and funding decisions.[13]

HAC was encouraged that the Administration's Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government includes "persons who live in rural areas" in the list of groups who need to be granted "consistent and systematic fair, just, and impartial treatment" and identifies "geographic communities" as a category that the Administration intends to consider in determining an "underserved community."[14]

Given this policy landscape, HAC is very pleased to see the bipartisan effort that has gone into the Rural Housing Service Reform Act of 2023. This bill makes commonsense improvements to critical RHS programs, authorizes and builds on the success of pilot programs and demonstrations, and offers a host of provisions that are ripe for inclusion in cross-Committee collaboration in the 2023 Farm Bill. Below are some portions of the bill that we would like to highlight and applaud.

Rental Housing

Authorize Important Multifamily Preservation Programs

Several of the current USDA preservation programs are funded through appropriations but are not authorized. This bill would change that by authorizing the Multifamily Preservation and

---

[13] See, e.g., HAC comments submitted in response to OMB Request for Information on "Methods and Leading Practices for Advancing Equity and Support for Underserved Communities Through Government," July 6, 2021, https://ruralhome.org/hac-recommends-federal-actions-for-rural-equity/; HAC comments in response to Interagency Community Investment Committee Request for Information on "Opportunities and Challenges in Federal Community Investment Programs," December 19, 2022, https://ruralhome.org/hac-comments-on-community-investment-focus-on-capacity-building-and-capital-access/.

[14] Joseph R. Biden Jr., "Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government," January 20, 2021, https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/.

Revitalization (MPR) program and the Multifamily Preservation Technical Assistance (MFTA) program. Authorizing these two successful programs is a critical step in ensuring they are stably funded into the future.

The MPR program allows existing properties in the Section 515 rental housing and Section 514/516 farmworker housing programs to refinance their loans and receive more funding to help revitalize their properties and maintain affordability. This program not only preserves the affordability of rental housing through continued government oversight but also provides owners with the capital they need to maintain and repair their aging properties. USDA estimates that $30 billion in funding is needed over the next 30 years to preserve 80 percent of the existing Section 515 portfolio.

To help address the growing crisis of multifamily maturing mortgages, the MFTA program was first funded through Congressional appropriations in FY2017. The program provides competitive grants to eligible nonprofit organizations and public housing authorities (PHAs) to provide technical assistance and other services to enable affordable housing preservation through the transfer of Section 515 properties from current owners to nonprofits or PHAs. The original intent of the program was two pronged: to subsidize preservation transactions by providing individual property owners with technical assistance in the sale, restructuring, or acquisition of properties; and to focus on transforming the program through research and policy development.[15] To date, only the first intent has been funded in the first two program rounds.

Authorizing these two programs will help ensure they are stably funded into the future, that the intent of the programs is better reflected in use of funds, and that they remain part of the suite of preservation tools available at RHS.

Improve Opportunities for Mission-Focused Nonprofits to Preserve Maturing Properties
Preserving the Section 515 portfolio requires collaboration with RHS, current owners, and public and private sector purchasers. However, the current process for transferring properties is overly burdensome and prohibitively difficult for small, mission-focused nonprofits. Many of these properties are aging and in need of repair. When new buyers want to purchase Section 515 properties, all immediate and long-term repair and rehabilitation needs must be identified by a Capital Needs Assessment (CNA). The nonprofit purchaser must demonstrate the availability of reserves to adequately cover the cost of addressing the property's capital needs – an often insurmountably high bar.

This bill would cut that red tape by allowing nonprofit transfers to move forward before funds for rehabilitation are identified, as long as the nonprofit purchaser makes a commitment to

---

[15] "Consolidated Appropriations Act, 2017, Division A--Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2017," § 771, P.L. 115-31, May 5, 2017, https://www.congress.gov/115/plaws/publ31/PLAW-115publ31.pdf.

address rehabilitation needs during ownership and accepts long-term use restrictions on the property.

The bill further supports nonprofit transfers by increasing the current 9 percent nonprofit set-aside within the Section 515 program to 50 percent. Small nonprofits often struggle to be competitive with larger and more powerful organizations, but these smaller organizations often work in areas that have the deepest need, specifically persistently poor communities. Preservation funding should be equitably distributed to ensure that geographies are not being left out due to lack of capacity, and this change would help make that happen.

Decouple Rental Assistance from RHS Mortgages Under Certain Parameters

Under current law, the availability of Section 521 Rental Assistance to residents of a Section 515 or 514/516 property is tied to the term of the mortgage. When the mortgage is paid off, the property loses its Rental Assistance. Decoupling the mortgage and the Rental Assistance has been considered as a solution to this situation. HAC would prefer to see RHS's multifamily programs funded at a level that would adequately meet the portfolio's preservation needs. However, thousands of units are leaving the program each year and that funding has not materialized to meet the need.

As a result, RHS needs a suite of preservation strategies – including decoupling – to be available in the absence of adequate funding. This bill would allow for the mortgage and rental assistance to be decoupled if the Secretary determines that a maturing loan for a project cannot reasonably be restructured or otherwise preserved. Long-term affordability of the decoupled properties would be ensured through a 10-20 year Rental Assistance contract (subject to annual appropriations). And because this change would be a significant one, RHS would be required to engage in a rulemaking process to gather stakeholder input.

Strengthen the Rural Voucher Program

Under the current appropriations, the RHS Section 542 rural housing voucher subsidy is set at the time of prepayment and never changes as rents increase or household income decreases. As a result, voucher holders face displacement from their housing if they have a loss of income or their rents are increased. This bill addresses this issue by allowing the value of a voucher to be adjusted over time. Additionally, it allows tenants in properties whose mortgages are maturing or being foreclosed on to access vouchers, in addition to those in properties that are prepaying.

Capacity Building

Geographic equity for rural places cannot be achieved unless federal investments in economic development, housing, and other infrastructure are paired with robust capacity building to ensure the most underserved and persistently poor rural places are in a position to access these resources. Many rural regions have been stripped of their economic engines, financial establishments, and anchor institutions with devastating impact on public and private sector capacity.

The degree of difficulty rural communities confront in preserving and developing affordable housing is compounded by: 1) challenges within their local markets that make it difficult for even the most sophisticated lenders and project sponsors to make a deal "pencil out"; and 2) smaller projects and transactions that often do not mesh easily with tax subsidies and secondary markets that typically operate at scale.

Simply put, the importance of capacity building and access to capital cannot be overstated when it comes to rural housing. Strong local institutions do not happen by accident. The good news is that Congress has long recognized the importance of capacity building and established a track record of success: federal investment toward rural capacity building launched nearly all the most successful local and regional rural housing organizations that HAC works with today.

Authorize the Powerful Rural Community Development Initiative

USDA's Rural Community Development Initiative (RCDI) provides funding to nonprofits, public bodies, and qualified for-profit groups to support housing, community facilities, and community and economic development projects in rural areas. The funds can go towards homeownership education, technical assistance to sub-grantees, and other programming to build local organizations' capacity and technical knowledge.

RCDI lacks authorization and its existence is subject to the annual appropriations process. This bill would authorize RCDI to provide the program with the long-term stability it needs. Additionally, RCDI's 1:1 match requirement can be challenging for organizations to meet, especially those serving the most persistently poor rural regions, so this bill would waive the match requirement for capacity building work in persistently poor rural regions.

Increase Data Transparency

Despite the importance of USDA properties, there is limited data on them accessible to the public. This makes it challenging for organizations to aid in the preservation of this affordable housing. Releasing more data on the current housing stock would improve preservation outcomes and stakeholder understanding of the issues.

This bill addresses that need by calling on USDA to publish an annual report on the RHS programs that includes raw data sortable by services and by region regarding loan performance; the housing stock of those programs, including information on why properties end participation in those programs, such as for maturation, prepayment, foreclosure, or other servicing issues; and risk ratings for properties assisted under those programs.

Increasing data transparency in this way would also make rural housing research more robust and could help USDA identify how programs are functioning. Nongovernmental research offers a different perspective and would help USDA and other agencies work more efficiently.

Ensure that RHS has Modern Technology Capabilities

RHS plays a unique role in rural communities as a service provider and a connector to funding and program opportunities. Unlike some resource- and expertise-rich urban counterparts, rural areas cannot overcome capacity gaps at the agency administering the lion's share of federal housing funds in their communities.

Technological updates are a critical element of improving the RHS services. Current technology at RHS is vastly out of date, slowing down processing times. Using newer technology could also improve data collection, which could better inform which programs should be funded and where funds should go. This bill would authorize funding to allow RHS to modernize its technology, allowing for more modern program administration.

Homeownership

Increase Use of the Section 502 Direct Loan Program on Native Lands

USDA's Section 502 direct loan program enables low- and very low-income rural residents to purchase homes with affordable mortgages at fixed rates as low as 1 percent and no down payment is required. Because inability to qualify for market-rate credit elsewhere is a precondition for obtaining a Section 502 direct loan, the program's borrowers are homebuyers who could not otherwise access homeownership if Section 502 loans were not available. Over two million families have become homeowners since 1950 through the Section 502 direct program. In 2021, the average income of Section 502 direct loan borrowers was about $40,000. Importantly, this is a loan program, not a giveaway; the funds are repaid to USDA, with interest. In 2019, the total cost per loan to the government for a Section 502 direct loan averaged $7,066.[16]

However, the Section 502 direct loan program has not equitably served Indian Country, especially as USDA staff capacity in the field has decreased. For instance, in FY2019, of the 6,194 direct loans made nationally under RHS's Section 502 direct loan program, 127 were to Native American borrowers but only six of them were for homes on tribal land.[17] This bill would help address this issue by making Native CDFIs eligible borrowers under the Section 502 direct loan program and enabling them to relend to qualified families for the construction, acquisition, and rehabilitation of affordable housing on trust land. This provision stems from a successful 2018 pilot program in South Dakota.

Improve the Section 504 Single-Family Repair Loan and Grant Program

Aging housing stock is a significant challenge for many rural areas, and homeowners are often older and on fixed incomes, making home repair a challenge. The RHS's Section 504 Single-Family Repair Loans and Grants program provides direct loan and/or grant funds for home

---

[16] "Fast Facts! Section 502 Direct Loans Open Doors to Rural Homeownership," National Rural Housing Coalition, accessed February 6, 2023, https://ruralhousingcoalition.org/section-502/.

[17] "Progress Report: 502 Direct Native CDFI Relending Pilot Program," South Dakota Native Homeownership Coalition, February 2020, https://www.sdnativehomeownershipcoalition.org/2019/wp-content/uploads/2020/03/502-Success-Report_v2.pdf.

repair to very low-income applicants who do not qualify for conventional bank financing. However, inefficiencies in the program have deterred potential applicants and have even resulted in funds left on the table in some years, despite huge need on the ground.

This bill would increase the size of a Section 504 loan for which a mortgage is required. The current threshold of $7,500 was set 23 years ago, in 2000, and has never been adjusted for inflation. A promissory note would be appropriate security for loans under $15,000, and this bill includes that important update.

CONCLUSION

Geographic equity in federal policymaking is important to ensure that rural places, especially persistently poor rural areas, are not left behind in the competition for limited federal resources. High quality rural housing is critical to maintain the health and well-being of communities across the United States. USDA programs make renting and owning feasible options for people through rental assistance, financing options, and capacity building opportunities. RHS has had a major impact on rural communities despite its ever-shrinking budget. HAC wants to thank Chairwoman Smith and Senator Rounds for their work to propose important improvements to the RHS programs. We look forward to working with you to move these proposals forward, with an eye toward the 2023 Farm Bill.