TESTIMONY OF TANYA EASTWOOD ON BEHALF OF THE COUNCIL FOR AFFORDABLE AND RURAL HOUSING BEFORE THE SUBCOMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT AND INSURANCE, HOUSE FINANCIAL SERVICES COMMITTEE

THE AFFORDABLE HOUSING CRISIS IN RURAL AMERICA: ASSESSING THE FEDERAL RESPONSE

April 2, 2019

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Chairman, Ranking Member, and members of the Committee, on behalf of the Council for Affordable and Rural Housing (CARH), we would like to submit written testimony in support of efforts to preserve affordable rural rental housing. CARH is an industry trade association with headquarters in Alexandria, Virginia, representing the interests of for-profit and non-profit builders, developers, management companies, and owners, as well as financial entities and suppliers of goods and services to the affordable rental housing industry in rural America.

Affordable Rural Rental Housing Is A Necessity

Affordable rental housing issues affect residents and a broad array of local government, non-profit, and for-profit participants working together in partnership. Rural renters are more than twice as likely to live in substandard housing compared to people who own their own homes. With lower median incomes and higher poverty rates than homeowners, many renters are simply unable to find decent housing that is also affordable. While the demand for rental housing in rural areas remains high, the supply, particularly of new housing, has decreased. The adverse effects of housing instability on the education and health of this country's greatest asset, our children, has been well documented. Neither the private nor the public sector can produce affordable rural housing independently of the other; it needs to be a partnership. There are several areas within the rural housing arena that Congress and the Administration should consider as discussions continue on the infrastructure needs of rural communities.

CARH is pleased to be part of the Rebuild Rural Coalition which has been organized in order to bring focus to the infrastructure needs of rural America. We support the efforts of the Coalition and agree that infrastructure legislation by Congress should specifically address the unique needs of agriculture and rural communities. We applaud efforts to increase broadband in rural America. Broadband will do much to increase rural American's access to health care and business opportunities. However, an overlooked aspect of broadband development is how it will also increase the livelihood of residents to access the internet from their homes. Roads and other infrastructure needs that have been identified by other committees are important, but without housing for rural Americans to live in, Congress is not addressing all of rural communities' needs.

We recognize that a private-public partnership is needed. The various housing programs outlined in this testimony are evidence of the success of this partnership. However, we know that more can and must be done so that the housing and infrastructure needs of rural America can successfully be achieved.

Key Tools - Rural Development Rental Housing Programs and the Housing Credit Program

The United States Department of Agriculture's (USDA)/Rural Development (RD) Section 515 rural multifamily housing and Section 514 farm labor multifamily properties are a lynchpin for affordable rural housing. Poverty rates in rural areas are substantially higher than in urban areas. Therefore, rental assistance under the Section 521 Rental Assistance (RA) program is essential for many family and elderly households residing in rural America. At the same time, most federally supported multifamily properties are 35+ years old and need modernization. These properties have suffered from federal funding shortages and statutory and regulatory barriers that make recapitalization difficult or impossible.

Rural housing is dependent on several sources of funding for construction and preservation of the existing housing stock. The Low-Income Housing Tax Credit (Housing Credit) program is certainly a vital source for this important housing. The Housing Credit program has worked successfully since its creation in 1986. It helps to bridge the gap between what the market provides and what the market demands. In short, America's elderly, working families, civil servants, and working poor seek to live in or near their jobs, families, and communities. In much of rural America, this need cannot be met due to the lack of affordable housing options. Homeownership is often out of reach or not financially viable. Furthermore, the cost of providing any new housing or rehabilitating existing housing to current standards without public-private assistance results in rents that are simply too expensive for most low-income Americans. In contrast, the Housing Credit program allows non-profit and for-profit companies to work together with local and state governments to raise private equity and to help bridge the financial gap. In turn, the savings are passed on to the residents in the form of lower rents and affordable rental housing. Approximately 43% of Section 515 properties are financed with Housing Credits.

The Consolidated Appropriations Act, 2018, created a new occupancy threshold by allowing income averaging. In sum, this allows flexibility to new Housing Credit properties by varying income limited at 10 percent increments between 20 percent and 80 percent. Section 515 and 514 properties already permit this income range and certain existing properties will benefit from this program to help lower rents for certain units, permitting unsubsidized units that remain vacant for extended periods to be reoccupied more quickly in very low-income areas. But the income averaging is prospective only and RD policy limits projects to one rent per unit type, and when incomes vary that much, rents need to also vary to accommodate the tenants. A statutory change is needed to both make income averaging available for existing properties as well overcome this RD limitation. Of course, any such proposal will need to be implemented protecting existing residents and existing use restrictions.

RD's Section 521 Rental Assistance Program Is Essential

Households in rural rental properties are among the most vulnerable in the nation. Furthermore, female-headed households currently occupy over 71% of these affordable housing units, with over 62% occupied by senior (62 or older) or disabled households. The project-based Section 521 RA program is an essential component of the Section 515 program and continues as a critical preservation tool. The average annual income of residents in rural housing properties is under $13,600, even less for the senior and disabled households. To put into context, that is approximately 75% less than the average household income in the U.S. RA provides deep subsidy to very low-income residents by paying the difference between the resident contribution (30% of their adjusted income) and the basic rent required to operate the property; over two-thirds of Section 515 units are subsidized with RA. It is important to note, that under current regulation, Section 521 Rental Assistance is only provided to properties with an outstanding Section 515 or 514 mortgage. When the USDA mortgage is prepaid or matures, the project based rental assistance subsidy is no longer available for that property or those residents. The RA program must continue to provide sufficient funds for both current levels of RA and additional RA to support increasing program costs and preservation efforts. RA budgets have been constrained for at least four years, even before sequestration issues impacting the program at the end of Fiscal Year (FY) 2013. Historically, RA budgets on a per unit basis are about half the cost of other rental subsidy programs. Much of that has been achieved by delaying needed repairs and restricting operating funds.

Already Losing Valuable Affordable Housing

The existing rural multifamily programs were never intended as a one-time capitalization for low-income housing. The original intent was to allow properties to refinance out of the program and provide a market centric nucleus of decent housing in rural areas. In fact, USDA originally required owners to refinance out of the program at the first opportunity. However, the federal government changed the laws, rules, and basic operations when it changed the federal tax code, withdrew prepayment rights, and reduced Section 515 funding without any replacement mechanism.

In order to save the $11.5 billion Section 515 program and its sister Section 514 farm labor housing program, RD's current demonstration efforts have shown preservation can be successful but the number of properties able to be preserved with current resources will nowhere achieve portfolio-wide preservation in any reasonable time period.

The Section 514 and 515 programs under Section 514 and 515 of the Housing Act of 1949, operates through a successful public-private partnership. The 514 and 515 portfolios reportedly consist of 13,766 apartment complexes containing 421,816 rental homes, a staggering decrease of 14,234 properties and over 111,000 apartment homes since the program inception in 1963 - an approximate 51% reduction in the housing stock. According to RHS, they have not financed any new affordable rental units since 2011. Section 515 properties are geographically dispersed across all rural America

The Section 514 and 515 portfolios are by and large more than 30 years old and at risk of becoming obsolete. In 2002, RD estimated that 4,250 Section 515 properties with 85,000 units "will physically deteriorate to the point of being unsafe or unsanitary within the next 5 years." At that time, RD estimated it would need $850 million to maintain just this portion of the portfolio, and that as much as $3.2 billion will be required for portfolio-wide rehabilitation. Overall, little progress has been made since 2002. Adjusted for inflation and continued obsolescence, the 2002 $3.2 billion estimate is now approximately $5.6 billion, and growing each year that aging assets are not rehabilitated. In 2016, RD contracted for its own updated capital needs study, which confirmed the existence of significant and continued deferred maintenance. At this current rate of affordable housing properties exiting the program, we encourage the prioritization on the preservation of existing properties ahead of new construction, as it is much more cost effective to complete a substantial rehabilitation compared to the cost of building new.

Maturing mortgages have overtaken prepayments as the most pressing issue. According to Rural Development, approximately 77 properties with 1,759 units are maturing out of the mortgage programs over the next 18-24 months, and that number will only significantly increase past 2027. When a 514/515 mortgage ends, whether through prepayment or foreclosure or maturity, the Section 521 RA also ends, exposing below-market residents to market rents and turning assisted properties into market-rate properties. In 300 counties, Section 515 properties are the majority of project-based federally subsidized units and 90 percent of all Section 515 properties are in counties with persistent poverty.

Recommended Innovative Approaches to Help with Recapitalization and Preservation

CARH has several legislative recommendations that, working with RD and Congress, will help expand tools available to RD in preserving this much needed and at-risk housing.

<u>The Traditional Programs Work—We Need a Preservation RA Designation</u>

The traditional rural rental housing and rent subsidy programs work and work as a program that can attract other forms of public and private assistance. But Congress needs to be clearer and instruct RD to use financing on hand, specifically Section 521 RA for preservation. In past years when Congress specifically provided funding for preservation, RD processed that specific amount. Without that clarity, the last two Administrations have allowed other priorities, including holding on to reserves of RA, to take priority over preservation transactions. While we welcome a greater appropriation of RA, more important than even that is a specific direction to RD to spend all funds on hand each fiscal year.

<u>Continue Efforts to Modernize the Housing Credit</u>

Rural housing construction and preservation projects have access to only a few funding sources. The Housing Credit program is a vital source for this important housing. The Housing Credit is narrowly targeted and represents the best of the public-private partnership between government, local communities, and the private sector. The program is the most successful affordable rental housing production program and its place in the tax credit code is an essential part of its long-term success. Indeed, the Housing Credit has been so successful that it has become the model for subsequent programs.

Since its inception in 1986, the Housing Credit program has created homes for approximately 2.4 million families. For each 100 apartment units, 116 jobs are created, generating more than $3.3 million in federal, state and local revenue. This important housing resource creates a positive, broad-based economic benefit that includes jobs (particularly construction jobs), income and taxes in industries such as manufacturing, trade, and services, in addition to construction. Income includes business profits as well as wages and salaries paid to workers. Affordable housing not only creates jobs directly, but also facilitates job growth.

Affordable housing shortages prevent workers from meeting job demand in rural areas with limited housing options.

CARH believes it is critical that both the Housing Credit and Housing Bond programs continue. Reforming, simplifying, and flattening the Internal Revenue Code (Tax Code) is a centerpiece to many efforts to spur economic growth. However, the Tax Code has proven to be an efficient way to incentivize private sector to meet affordable housing needs that the private sector alone is not able to meet. We support legislative changes that would both strengthen and expand these two important programs so rural housing preservation and new construction can continue. During the last Congress H.R. 1661 was introduced and many of its provisions remain important to preserve rural housing.

In addition, the Federal Internal Revenue Code restricts potential Housing Credit investors through passive loss limitations, limiting the ability of associations that are not real estate professionals from investing. Housing Credits should be available to S Corporations, Limited Liability Companies, and closely-held C Corporations to the same degree Housing Credits are currently available to widely held C Corporations, to offset revenue with Housing Credits that would otherwise be taxable when passed through to the owners of these businesses. To ensure high standards of oversight, such entities should have at least $10 million in annual gross receipts, be formed for reasons other than just avoidance of Federal income tax and have an expectation of reasonable asset management. This proposal is aimed at accessing substantial investment capital available from sophisticated financial institutions and businesses that happen not to be widely-held Schedule C corporations. Indeed, this change would allow the 1,954 commercial banks and 55 savings institutions to invest in low-income housing tax credits in the communities in which they operate.

Allow Tax Relief for Older Owners Caught in Tax Code Changes

Another barrier to affordable housing preservation and tenant protection is an unintended one - resulting from a conflict between the current tax code and market forces. Almost all Section 515 properties were originally constructed through limited partnership arrangements whose structure makes it exceedingly difficult to introduce new capital into these properties, either through additional capital contributions from current owners or through the transfer of such properties to new owners. Most were also created before the 1986 Tax Reform Act. Because programmatic rent restrictions limit cash flow, new capital contributions would only generate additional passive losses that cannot be utilized by current investors. Yet, if the current owners sell a property, it is almost impossible to generate sufficient cash to pay off the steep recapture taxes that would be owed. The best alternative for current limited partners is to hold the investment until death, enabling their heirs to acquire the property with a stepped-up basis that eliminates any recapture taxes. While that is a perfectly rational decision at the partner level, it is not consistent with sound housing policy and risks imposing far higher costs on the federal government as these already capital-starved affordable housing properties either continue to deteriorate or are sold off as market rate housing as a means of generating sufficient cash on the sale to pay taxes for the exiting investors.

A modest change in the tax rules must be adopted to preserve the aging stock of Section 515 affordable housing. This could be accomplished by waiving the depreciation recapture tax liability where investors sell their property to new owners who agree to invest new capital in the property as well as agree to preserve the property as affordable housing for a minimum of another 30 years. Since very few investors today will subject themselves to recapture taxes (opting instead to pass on the property to their heirs at a stepped-up basis), the cost of this proposal should be modest while the benefit to the federal government of extending the affordability restrictions will be far-reaching. During the 111th Congress, legislation was introduced, H.R. 2887, the Affordable Housing Tax Relief Act of 2009, which if enacted, would have embodied this concept.

Revolving Loan Fund

Specifically, we believe that existing escrows previously required by RD can serve a dual purpose of capitalizing a new revolving loan fund: using deposits in the Rural Housing Insurance Fund, not needed in the current fiscal year, to loan to eligible properties at the applicable federal rate of interest; and, to pay for asset management costs and offset loan risk. The proposed loans also would be backed by a voluntary guaranty or pledge of Section 515 reserve funds from owners of those participating properties. This would add another tool with no new cost to the federal government. Another long-neglected tool is Section 515(t), which USDA has not implemented (but should), as it could guarantee equity loans to provide a fair return and further recapitalization resources for properties that are 20 years old or older, attracting new owners and new private capital.

Loan Risk Sharing Program

Congress should consider creating a Loan Risk Sharing Program for lenders to increase credit to rural areas. This program would provide additional funding authority for rural areas that would support and encourage the production and preservation of affordable housing. In addition, the program would provide insurance and reinsurance for multifamily housing projects whose loans are originated, underwritten, serviced, and disposed of by a local housing agency (LHA) or a qualified lender.

A LHA and/or its approved lender would originate and underwrite affordable housing loans. If there is a default, the LHA would pay all costs associated with loan disposition and would seek reimbursement from USDA. The USDA risk share would be 50 percent pro-rata. The program would enable USDA to provide alternative forms of Federal credit enhancement to increase affordable multifamily housing lending. USDA would selectively invite LHA to participate in a variety of mortgage options to assess the effectiveness of the various credit enhancements. The LHAs and USDA would enter into Risk-Sharing agreements to implement the program. A LHA or its lender, in turn, would make loans to investors, builders, developers, public entities, and private nonprofit corporations or associations. Eligible mortgagors include investors, builders, developers, public entities, and private non-profit corporations or associations.

Continue and Expand the RD Section 538 Loan Guaranty Program

We greatly appreciate the support shown both in Congress and the current Administration for a fee-based, revenue neutral Section 538 Guaranteed Rural Rental Housing program. We believe that the Section 538 is proving to be an important housing tool, at no cost to the government or taxpayers. CARH has recommended to RD, and we understand RD is reviewing a variety of administrative adjustments to the 538 program that would allow even more units to be preserved or produced, with increased cost efficiency. We would encourage a statutory chance to make it easier to refinance existing rural housing not already in the 538 program.

Keep and Expand the HOME Program

Furthermore, key to rural housing recapitalization is maintenance of the HOME Partnerships program administered by the Department of Housing and Urban Development (HUD). HOME uniquely empowers state and localities to respond to housing needs they judge most pressing, allowing them to serve the whole spectrum of need from homelessness to rental to disaster recovery assistance. HOME is flexible and can be used in rural or non-rural areas. The program is a vital piece in financing numerous affordable housing developments, many of which would not be able to go forward, which in turn, would mean not providing housing for low-income families. HOME does not replace resources committed to rural areas but is an important gap financing program. States and localities leverage HOME by generating almost four dollars of other public and private funding.

Draft Legislation Currently Under Consideration

Proposed Rural Housing Preservation Act

CARH supports the concept in the proposed Rural Housing Preservation Act of 2019, but only with major revision. CARH has long advocated for many of the changes contained in the aforementioned legislation. In fact, CARH was the first or one of the first to advocate for "decoupling" of the Section 521 Rental Assistance from the Section 514 and 515 mortgages where such mortgages mature or are otherwise eligible or approved for prepayment. This is key to protecting residents and for maintaining the housing affordability. Indeed, restrictions and protections of Section 521 RA provide direct rent subsidy and target much lower income residents. However, we are deeply concerned that many of the details, conditions and restrictions in the proposal will actually work against preservation.

The proposal has four substantive sections - Section 2: Addresses rural housing vouchers for tenants in multifamily rural rental housing with maturing mortgages; Section 3: Addresses decoupling RA from maturing mortgage properties; Section 4: Provides uniform standards for transfers of Section 515 properties using Housing Credits; and Section 5 contains a rural multifamily housing revitalization program that appears to make permanent the Multifamily Preservation and Revitalization ("MPR") demonstration program. As broad matters, CARH supports all of these purposes.

As to *Section 2*, we recommend that it be clearly stated that such vouchers are available to all properties with prepaying *or maturing mortgages*. The Section 542 voucher program, when created in the mid-1990s was created to expand housing choice in rural America. The program was not funded until a decade later and then only for the limited purpose of providing monies for residents of prepaid properties. We believe that rural vouchers should be used not just to protect current residents but to expand the supply of rural affordable housing as originally intended.

RD administratively determined that these vouchers could not be used by tenants where mortgages matured, and we will soon be facing a crisis of mortgage maturity and displacement. The text of Section 2 addresses prepayment, foreclosure and mortgage maturity but the title is limited only to maturity. More substantively, the bill extends vouchers generally, but only to residents of non-profit owned property. We believe that benefit should be for all residents regardless of the ownership structure.

In what seems like another punitive step against residents of certain properties, this Section would deny such residents vouchers if they remain in properties where the owner has prepaid its Section 514/515 loan(s) with a remaining restrictive use agreement. First, the goal or mission of providing housing for low income persons is separate from the financial reality of the need to generate revenue to properly provide that housing. Second, a provision advising owners, for-profit or nonprofit, that if they sign a further use restriction then their current residents lose assistance only motivates that owner to not sign that use restriction. That seems very counterproductive to housing preservation. Third, to the extent this section allows partial voucher assistance equal to the amount "not related to the cost of prepaying" makes no sense as mobile vouchers do not underwrite new loan debt. Other than punishing certain residents through no fault of their own, or certain owners who have fulfilled all their contractual obligations, we can see no useful purpose.

The last part of Section 2 requires an owner of a property "previously financed" with a 515 o4 514 loan to always accept a rural voucher applicant. CARH cannot support any bill that would require the obligations of a borrower in a mortgage program to follow that owner or that property ad infinitum. That is nothing more than passing a federal law taking property rights and forcing an unfunded mandate on that owner and property. We would have hoped that this lesson was learned through the pain, turmoil and litigation that resulted in the *Franconia* litigation and hundreds of millions of dollars in damages the federal government has had to pay for its last unilateral violation of basic contract rights through the Emergency Low Income Housing Preservation Act of 1988 ("ELIHPA"). And to add insult to injury, because Congress has failed to appropriately fund ELIHPA, there has been virtually no preservation assistance or project preservation under ELIHPA for many years.

Please note that ELIHPA removed owners' contractual prepayment rights. Despite the laborious process ELIHPA imposed on owners, the RD portfolio has shrunk from nearly 28,000 apartment complexes to just under 14,000 for several reasons, from cost cutting, to converting properties that RD concluded were no longer "suitable", to there being no nonprofit purchasers available to make offers to purchase. Clearly, punishing owners into preserving is not working.

Section 3 covers decoupling RA from the Section 515 mortgages, which CARH strongly supports. As indicated earlier in our testimony, it was CARH that first used the term "de-coupling" in this context and it was CARH that suggested this preservation mechanism to RD and other stakeholders approximately four years ago. The term "de-coupling" has been used in affordable housing preservation for many years in HUD programs. Preservation can and should be greatly enhanced by allowing RA contracts to stand on their own whenever a multifamily loan is prepaid or matures, not just when it matures as presently provided in the bills.

Unfortunately, Section 3 then also contains the phrase "rental rates commensurate to income as specified in subparagraph (A)" which would seem to reduce the amount of RA from existing rates, jeopardizing project operations and tenant housing. One incongruity in this provision is that decoupled RA must be offered 24 months before maturity, but in many cases, we are well within that 24 months. We suggest that contracts should be offered within 24 months or as soon as practical where less than 24 months remain at current rates as adjusted by budgeted project needs. Further, such contracts make perfectly good sense to bind the owner long term (20 years) and be recorded documents. CARH has long sought 20-year RA contract terms.

The requirement that owners continue to operate "as if" a section 514/515 loan exists or 516 grant and, extend "all rights" as if such programs continue, must be removed. Section 514/516 farm labor housing and 515 multifamily housing contains all sort of requirements, restrictions, reports, audits and costs - all of which make at least some sense in turn for the benefit of a reduced rate mortgage loan(s) and the 516 grant. But without such favorable financing in place, such continued program restrictions are certainly problematic and are viewed as a disincentive for owners to maintain the housing as affordable. Even then, the costs versus benefits are debatable. As you know, with the 515 loans, all remaining value of the favorable mortgage terms is passed on to the residents. Without that benefit, the burden would be unsustainable. Moreover, the Section 521 RA program is a substantial program in its own right. For example, Section 521 RA limits occupancy to persons at 50% of area median income, far lower than the Section 515 program, which occupancy targets low- and moderate-income persons. But 515 carries heavy administrative and audit requirements aimed at tracking finances to assure that RD mortgage loans are repaid. This would not only be burdensome but pointless where there is no federal mortgage debt risk.

The requirements that the initial rents be capped at actual market rents will leave out many properties. These programs were built based on budget and need for housing in areas that cannot support decent housing. The budget is based on federal requirements and operating obligations, not just on market. Indeed, current regulations at 7 CFR Part 3560 provide that market rents, coined as Comparable Rents for Conventional units ("CRCU") is only used for cost containment at ELIHPA preservation processing or transfer and then with a cap at 150% of CRCU where that is needed due to local market conditions.

The subparagraph (v) "Renewal" adjustment language is unclear. It speaks of the owner renewing the assistance and adjusting the amount if tenant household income decreases by $100, but that meaning is unclear and if that is intended to track current practices, we note the RA program already pegs subsidy to the difference between the tenants 30% of income (what the tenant is deemed to be able to pay) and the RD approved rent. Rents are adjusted annually up or down at $50 to $100 increments. based on tenant circumstances and preferences.

Section 4 provides a uniform process for transfer involving Housing Credits. While we applaud such a provision, we believe that Section 2833 of the Housing and Economic Recovery Act ("HERA") of 2008, amending Section 515(h) of the Housing Act of 1949 addresses that issue. We also note that there is a uniform transfer process. The issue is it is entirely too long and contains multiple points of duplication of information. RD has created and consistently implemented its Preliminary Assessment Tool ("PAT"), the first electronic spreadsheet that can be shared between RD and owner/developer applicants. That process should be encouraged and should continue to be improved. We believe providing sufficient funding for computer upgrades and additional experienced/skilled regional or national staff to review and modernize the transfer process would be the most effective way to address this concern at this point.

Section 5 of the proposed legislation appears to make permanent the MPR program, something CARH has supported for quite some time. But we also have requested stakeholder meetings and oversight hearings. The MPR process has been successful in one sense with a number of approvals and completed preservation transactions; however, the current funding backlog of approved transactions waiting to close stretches to approximately the next four years (or longer). Also, it usually takes multiple years to process an MPR application, a process that in all respects should be shortened and modernized like the Housing Credit process noted above.

This same Section 5 appears to incorporate language from recent appropriations legislation about rural vouchers used in prepayment and makes funding between MPR and preservation vouchers fungible. We suggest that should not be continued in a permanent program and that MPR should be separate from rural housing vouchers. We have had members report shortages in both MPR and rural voucher funding attributable to the federal government moving money between the two uses.

Companion Draft

We similarly support the basic premise in a companion draft. We have similar concerns about the unnecessary complexity and, with it, unintended consequences. Voucher funding should be expanded to protect residents without RA from a project where the 514 or 515 mortgage ends for any reason—prepayment, termination, or maturity. Furthermore, RA contracts should continue past prepayment, termination, or maturity. Indeed, if RA is expanded to units to include those units currently without RA, there is no need for the voucher expansion, other than to expand affordable housing to mobile residents. With limited affordable housing options across rural America, we do not believe this would be a major need or benefit.

We also reject the dichotomy that some are making between projects where owners sign extended use agreements and where they do not. On the one hand this seems to try to say that owners should privately subsidize residents and step into the role of the federal government. That we reject as untenable as a financial or practical solution. On the other hand, this distinction makes no sense because by requiring and accepting and expanding the RA contract the use restrictions flow through the contract anyway and bind the tenant, owner and property.

Proposed Strategy for Rural Housing Preservation Act

The proposed Strategy for Rural Housing Preservation Act of 2019 certainly has merit but is largely mooted by preservation efforts underway. Starting with a new long-term study group will actually delay and reduce what preservation efforts exist. RD used to have nearly 28,000 apartment complexes in its portfolio, and we are already down to under 14,000, with dozens more maturing and many more prepaying every year. There is no time to lose.

Proposed Farmworker Improvement Act

The proposed Farmworker Improvement Act of 2019 is a very solid step forward with opening the use of the Housing Credit with Farmworker housing. USDA program restrictions are often incongruous with the Housing Credit program, prime among them the inability to use the companion Section 516 Farmworker Grant program with Housing Credits.

Proposed VAWA Changes

We understand the House Judiciary Committee has moved forward on H.R. 1585, which also contained provisions from H.R. 1310. H.R. 1585 is the bill for VAWA amendments and reauthorization well beyond the extension to rural vouchers. Furthermore, we applaud the renewal and recognize the extension merely brings application in line with Section 8 voucher practices, and the two voucher programs are supposed to work in sync. While the bill had sequential referral to the House Financial Services Committee, it is our understanding that the Committee declined the referral. We are disappointed that the Committee did not formally consider the bill because there are several housing provisions that if not changed will make implementation difficult for both the victims and housing providers as well as take resources from other affordable housing applicants and residents. Therefore, we think the VAWA expansion should be carefully examined with the following issues considered:

- H.R. 1585 establishes inconsistent resident screening procedures and conflicts with existing HUD standards and guidance.

- The bill places obligations on housing providers that they cannot fulfill, including the obligation to “ensure” that if there is a family breakup as a result of domestic violence, that the victim retains the housing assistance. That decision can only be made by the federal government agencies.

- Expands the provisions regarding emergency transfers, without taking into consideration current law and differing public and private housing rules, regulations and abilities.

- Provides for access to Emergency Transfer Vouchers using a $20 million set-aside, which is laudable, but would mean taking resources from others. An additional appropriation should be provided in a designation such as with veterans housing under the Veterans Affairs Supportive Housing Voucher (VASH) program. that could be specifically tailored to victims’ needs.

- The bill also mandates annual training for housing providers, without consideration as to the necessary funding and resources needed for program implementation.

- Establishes a nationwide database of rental units and requires constant reporting from housing providers on available dwelling units within 3 days. The scope and complexity of such a database is unworkable and unduly burdensome for housing providers and ignores the regulations and processes already required and the fact that most if not all subsidy program require 30-day reports, which should be more than sufficient.

- New staff will need to be hired, and new software updates funded, at HUD and RD to implement these requirements.

On behalf of CARH, we again thank the Committee for this opportunity to highlight the important issue of rural housing preservation. With a few relatively minor changes, Congress can provide the tools needed to continue the successful public/private partnership for affordable rural housing. We welcome the opportunity to work with you, RD and our fellow stakeholders to formulate such changes and improvements.