

Truth in Testimony Disclosure Form

In accordance with Rule XI, clause 2(g)(5)* of the *Rules of the House of Representatives*, witnesses are asked to disclose the following information. Please complete this form electronically by filling in the provided blanks.

Committee: Financial Services

Subcommittee: Housing and Insurance

Hearing Date: 06/12/2025

Hearing Title :

Housing in the Heartland: Addressing Our Rural Housing Needs

Witness Name: Ian Maute

Position/Title: President of the Council for Affordable and Rural Housing

Witness Type: ☐ Governmental ☒ Non-governmental

Are you representing yourself or an organization? ☐ Self ☒ Organization

If you are representing an organization, please list what entity or entities you are representing:

Council for Affordable and Rural Housing

FOR WITNESSES APPEARING IN A NON-GOVERNMENTAL CAPACITY

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

Are you a fiduciary—including, but not limited to, a director, officer, advisor, or resident agent—of any organization or entity that has an interest in the subject matter of the hearing? If so, please list the name of the organization(s) or entities.

N/A

Please list any federal grants or contracts (including subgrants or subcontracts) related to the hearing's subject matter that you or the organization(s) you represent have received in the past thirty-six months from the date of the hearing. Include the source and amount of each grant or contract.

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- ☒ I have attached a written statement of proposed testimony.
- ☒ I have attached my curriculum vitae or biography.

* Rule XI, clause 2(g)(5), of the U.S. House of Representatives provides:

(5)(A) Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof.

(B) In the case of a witness appearing in a non-governmental capacity, a written statement of proposed testimony shall include— (i) a curriculum vitae; (ii) a disclosure of any Federal grants or contracts, or contracts, grants, or payments originating with a foreign government, received during the past 36 months by the witness or by an entity represented by the witness and related to the subject matter of the hearing; and (iii) a disclosure of whether the witness is a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing.

(C) The disclosure referred to in subdivision (B)(ii) shall include— (i) the amount and source of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) related to the subject matter of the hearing; and (ii) the amount and country of origin of any payment or contract related to the subject matter of the hearing originating with a foreign government.

(D) Such statements, with appropriate redactions to protect the privacy or security of the witness, shall be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness appears.

False Statements Certification

Knowingly providing material false information to this committee/subcommittee, or knowingly concealing material information from this committee/subcommittee, is a crime (18 U.S.C. § 1001). This form will be made part of the hearing record.



Witness signature

6/10/25

Date

**TESTIMONY OF IAN J. MAUTE, PRESIDENT
COUNCIL FOR AFFORDABLE AND RURAL HOUSING**

UNITED STATES HOUSE SUBCOMMITTEE ON HOUSING AND INSURANCE

June 12, 2025

Chairman Flood, Ranking Member Cleaver, and members of the Committee, on behalf of the Council for Affordable and Rural Housing (also known as CARH), we appreciate the opportunity to submit testimony to the Committee. This statement outlines key issues impacting the rural multifamily housing industry and provides recommendations to strengthen the federal programs that preserve and expand affordable rental housing in rural communities across the country.

CARH is an industry trade association with headquarters in Alexandria, Virginia, representing the interests of for-profit and non-profit builders, owners, developers, management companies, lenders and investors who all participate in the affordable rental housing industry in rural America. My name is Ian Maute, and I am the Director of Development for the Buckeye Community Hope Foundation, based in Columbus, Ohio, a nonprofit corporation, developing and facilitating affordable housing for low-income families. Since 1991, Buckeye has placed over 130 projects in service across 12 states including Florida, Georgia, Illinois, Indiana, Kentucky, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. I am also the current President of CARH.

Affordable Rural Rental Housing Is A Necessity

Throughout rural America, there continues to be an overwhelming need for both affordable and decent housing. The lack of affordable housing reflects the limited investment in these localities. 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. Neither the private nor the public sector can produce affordable rural housing independently of the other; it needs to be a partnership.

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

The United States Department of Agriculture's Rural Development (RD) Section 515 rural multifamily housing and Section 514 farm labor multifamily properties are essential for addressing affordable rural housing needs—both through preservation and new production. Rental assistance (RA) under the Section 521 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 either difficult or impossible.

Rural housing development and investment are largely dependent on only a few sources of funding for construction and preservation of the existing housing stock. The Low-Income Housing Tax Credit (aka Housing Credit) program is a vital source for addressing affordable housing in rural communities. 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. Homeownership is often either out of reach or not financially viable for many residents in rural communities. Furthermore, the cost of providing any new housing or rehabilitating existing housing to current standards without public-private assistance results in rents or other homeownership costs that are simply too expensive for most low-income Americans in rural communities. 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.

Already Losing Valuable Affordable Housing

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, 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 the current rate of affordable housing properties exiting the program, we encourage the prioritization of 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 facing the industry. Over the next decade, as many as three-quarters of all Section 515 mortgages will mature, and with it the end of related Section 521 RA contracts, stranding over 250,000 families and elderly persons, leaving them without the ability to house themselves. With roughly 75% of RD properties depending on Section 521 Rental Assistance, this program is the financial backbone of rural housing. Under current law, when a Section 515 mortgage expires, Section 521 RA also expires. Therefore, it is critical to establish legislative authority to preserve rental assistance after mortgage maturity. The final appropriation legislation for FY 2024 contained language that provided RD with authority to structure a demonstration program that “decouples” RA from the Section 515 program for 1,000 units in properties where a mortgage was set to expire in FY 2024. While decoupling Section 521 RA from the Section 515 loan is different from what HUD calls “decoupling”, it would put the RA contracts on the very logical path to being an important preservation tool. CARH worked closely with RD on the implementation of the decoupling pilot program, which is also known as the “Stand-Alone Rental Assistance” program (aka SARA). The FY 2025 continuing resolution authorized 1,000 units eligible for decoupling in the current fiscal year. We are very encouraged by the strong and growing participation in the SARA program, with 8 properties (157 units) enrolled in FY 2024 and 17 properties (403 units) already confirmed for

FY 2025 demonstrating meaningful interest in preserving affordability through long-term commitments. CARH and its members look forward to building on this progress as the program enters its second year of implementation. CARH appreciates the efforts of both the Administration and Congress to implement the decoupling pilot program, which represents meaningful progress toward preserving the rural multifamily housing portfolio.

However, permanent legislative authority remains essential to ensure that preservation can occur consistently, predictably, and nationwide. CARH continues to support the passage of legislation that would allow for decoupling on a permanent basis. S. 885, the “Strategy and Investment in Rural Housing Preservation Act of 2025”, has been introduced by Senators Jeanne Shaheen and Jerry Moran. Additionally, S. 1260, the “Rural Housing Service Reform Act of 2025”, introduced, by Senators Tina Smith and Michael Rounds would also allow for permanent decoupling, and preservation of this vital housing stock for rural communities across the country. I would like to thank Representative Cleaver for his support of the decoupling legislation in the previous Congress. We are hopeful that similar legislation will be re-introduced in this Congress. We stand ready to assist the Committee with any feedback or advocacy to help advance these efforts.

Portions of the Section 515 portfolio are supported by project-based Section 8 subsidies or serve residents who utilize tenant-based Section 8 housing choice vouchers, particularly in properties without Section 521 Rental Assistance. CARH supports maintaining strong project-based and tenant-based Section 8 programs as essential components of the rural housing safety net.

Continue Efforts to Modernize the Housing Credit

Rural housing construction and preservation projects have access to only a few funding sources. Among them, the Housing Credit program stands out as a vital and effective tool. It is narrowly targeted and exemplifies the best of the public-private partnership between government, local communities, and the private sector.

Since its inception 36 years ago, the Housing Credit program has created approximately 3.7 million affordable rental homes serving over 8 million households across this country. In multifamily rental housing, the one-year impact for building 100 apartment units is the creation of 161 local jobs, with \$11.7 million in local income and \$2.2 million in local taxes and government revenue. This important housing resource creates a positive, broad-based economic benefit that includes jobs, income and taxes in industries such as manufacturing, trade, and services. Affordable housing not only creates jobs directly but also facilitates job growth.

One challenge impacting the effectiveness of the Housing Credit program in rural areas is the unresolved tax status of Fannie Mae and Freddie Mac. Uncertainty over their classification under the Internal Revenue Code is compromising their ability to participate in multi-investor Housing Credit funds, which are essential to financing smaller rural deals. Unlike banks, which often invest to meet Community Reinvestment Act goals and tend to concentrate in urban areas, government-sponsored enterprises are guided by “Duty to Serve” requirements that direct investment to rural communities. Allowing them to fully participate in multi-investor funds would greatly expand capital

available for underserved areas. CARH supports S. 1603, bipartisan legislation introduced by Senators Moran and Warner, which would clarify that government-sponsored enterprises are not subject to these restrictions for purposes of Housing Credit investment, thereby unlocking critical capital for rural housing.

Affordable Housing Credit Improvement Act

CARH supports H.R. 2725, the Affordable Housing Credit Improvement Act of 2025, introduced by Representatives Darin LaHood, Suzan DelBene, Claudia Tenney, Don Beyer, Randy Feenstra, and Jimmy Panetta. There were 114 original bipartisan cosponsors when the legislation was introduced and now has 142 cosponsors. S. 1515 is companion legislation introduced in the Senate by Senators Todd Young, Maria Cantwell, Marsha Blackburn, and Ron Wyden, as well as 26 other original bipartisan cosponsors. Both bills would further strengthen and expand the Housing Credit and Housing Bond programs so that rural housing preservation and new construction can take place. The Affordable Housing Credit Improvement Act, would make a variety of changes and enhancements to the programs including increasing the Housing Credit authority by 50 percent, phased in over two years. States would have the ability to provide up to a 30% basis boost to properties in rural areas if needed for financial feasibility. Additionally, the legislation includes an increase to the population cap for Difficult Development Areas, which are areas with high construction, land, and utility costs relative to the area's median gross income. Housing Credit properties located in these areas are allowed to increase their eligible basis by 30% for new construction and rehabilitation costs allowing for a correspondingly larger maximum housing credit allocation. These provisions are integral to furthering the preservation of the rural housing portfolio. CARH urges the passage of this critical legislation.

CARH is also encouraged that key provisions from the Affordable Housing Credit Improvement Act were included in the most recent version of the reconciliation bill, including the phased-in increase to Housing Credit authority, enhanced basis boosts for rural properties and Difficult Development Areas. These inclusions reflect a clear recognition by Congress of the critical role the Housing Credit plays in addressing rural America's affordable housing crisis. CARH strongly supports the inclusion of these provisions in reconciliation and urges their preservation through the bill's final passage.

Opportunity Zones

CARH applauds the current Administration and Congress for recognizing the vital role that Opportunity Zones could play in revitalizing low-income rural communities. The reconciliation bill's reforms mark a substantial step forward in targeting capital to the areas that need it most particularly rural communities often overlooked by traditional private investment.

CARH strongly supports the bill's new requirement that at least 33% of new Opportunity Zones designated must be located in rural areas, ensuring that rural communities are not just eligible, but prioritized. This recognition is critical to closing the persistent development gap between urban and rural markets.

In addition, the bill introduces a 50% threshold requiring that at least half of Opportunity Zone capital raised for any project be used for activities that directly support housing, job creation, or essential community infrastructure. It also proposes lowering the substantial improvement threshold for existing properties in rural Opportunity Zones from 100% to 50% of the property's acquisition basis, making it more feasible to reinvest in and preserve existing structures. CARH strongly supports these provisions, which will help ensure that Opportunity Zone investments result in tangible, long-term benefits for residents—not just land speculation or short-term returns.

Preservation of the Existing Multifamily Mortgage Portfolio

The Section 515 direct loan program and its one percent effective interest rate provides a unique tool to preserve affordable housing in rural communities. The Administration proposed \$50 million for the Section 515 program versus \$60 million under the FY 2025 CR level. Ongoing funding is critically needed to address housing finance needs in impacted communities and provide a lifeline resource to help existing properties. Without continued and enhanced investment in Section 515, many rural communities risk losing their only source of affordable rental housing—leaving seniors, families, and farmworkers with no viable alternatives.

We continue to support efforts that would provide \$1 billion for the Multifamily Housing Preservation and Revitalization (MPR) Demonstration Program. Funding for this portfolio will not only provide for the extremely low-income families and elderly residents but will also improve infrastructure and create jobs throughout rural America.

Under the Administration's proposed budget, the MPR program would be funded at \$15 million versus the \$34 million under the FY 2025 CR level. The MPR program has been a demonstration program since 2006. **CARH supports making the MPR program a permanent program.**

Expanding Multifamily Loan Credit Through Section 538 Guaranteed Loan Program

CARH greatly appreciates the support shown for the fee-based, revenue neutral Section 538 Guaranteed Rural Rental Housing program. We believe that the Section 538 program is proving to be a critical housing tool, at no cost to the government. **CARH supports the Administration's proposal that would provide \$400 million in loan authority for the Section 538 program in FY 2026.** Expanding the program will preserve the pipeline, and more than that, it will allow lenders and borrowers to look at the program as having material capacity to help expand their rural housing credit needs.

The Section 538 program is also poised to serve as a strong preservation tool for Section 515 properties undergoing mortgage maturity and decoupling. By allowing for refinancing in tandem with Rental Assistance preservation, Section 538 can help stabilize at-risk properties and extend their affordability for the long term.

CARH has recommended several regulatory changes to maximize the program's effectiveness, including increasing the allowable loan-to-cost ratio from 70% to 90%, reducing the minimum debt service coverage ratio from 1.15 to 1.11 to align with HUD standards, and extending

amortization periods from 40 to 50 years. These changes would make the program more flexible and attractive, particularly for preservation deals that require nuanced financing structures.

CARH also supports legislative action to clarify and expand RD's authority to allow Section 538 financing to be used for the refinancing of existing mortgage loans related to prior construction or acquisition—a change that would help modernize aging properties and support long-term preservation efforts.

Streamlining RD and HUD Programs

At the request of both RD and HUD, CARH compiled and submitted detailed recommendations earlier this year focused on reducing regulatory burdens and improving the efficiency of federally assisted housing programs. These recommendations were developed in close consultation with CARH's national membership made up of owners, developers, managers, and lenders who engage daily with the practical challenges of delivering and preserving affordable housing in rural America.

The recommendations target specific reforms that align with existing handbook policies and regulatory authority—meaning they can be implemented without the need for new legislation. The proposals focus on improving the Section 515 property transfer process, streamlining reserve account access, simplifying budgeting and audit requirements, and encouraging the use of Memorandums of Understanding between RD, HUD, and State Housing Finance Agencies to align oversight and reduce duplication.

Notably, the recommendations include reforms to outdated environmental review procedures that currently delay urgently needed rehabilitation in rural communities. CARH proposes exempting minor rehab work from NEPA reviews and allowing agencies to rely on existing environmental assessments conducted by Housing Credit allocating agencies or HUD. These reforms would reduce processing times and free up resources while still maintaining appropriate safeguards—striking the right balance between preservation and progress.

CARH also offered feedback on the Build America, Buy America (BABA) requirements. While BABA is a well-intentioned effort to strengthen domestic supply chains and support American manufacturing, its current implementation has posed unique challenges for rural and small-scale affordable housing projects. CARH recommended targeted exemptions for rural developments, simplified compliance procedures to reduce barriers for local contractors, and clearer standards around design professional liability. These changes would help ensure BABA's goals are met without unintentionally stalling urgently needed rural housing production.

CARH appreciates that both RD and HUD requested this input and have expressed openness to stakeholder-led reforms. For the Committee's reference, CARH's letters outlining

recommendations to streamline RD and HUD programs are enclosed herein as Schedule I. We believe these recommendations are in line with priorities of the current Administration and Congress to remove unnecessary regulatory barriers to increasing the affordable housing stock across our country.

HOME Partnership Program

The HOME Investment Partnerships Program, administered by HUD, is also a key component of rural housing recapitalization. HOME uniquely empowers states and localities to address the housing needs they determine most urgent—whether related to homelessness, rental housing, or disaster recovery. Its flexibility allows it to be used effectively in both rural and non-rural areas, making it an essential resource for filling financing gaps and responding to local conditions.

The HOME program is a vital resource in financing numerous affordable housing developments, many of which would not be able to go forward and many of which would not provide housing for low-income families without this important program. HOME does not replace other financing resources committed to rural areas but is an important gap financing program. States and localities leverage HOME by generating almost four billion dollars of other public and private funding to HUD.

The FY 2025 CR provides \$1.25 billion for the program. CARH supports a funding level of at least \$1.5 billion for the HOME program.

However, it is important to distinguish between Participating Jurisdictions (PJs) and non-PJs under the HOME program. While many large cities and counties receive a direct allocation of HOME funds as PJs and control their own program priorities, most rural communities do not. These non-PJs must instead rely on state-level allocations, often competing against better-resourced urban counterparts for limited funding. As a result, rural developers frequently face delayed timelines, inconsistent access to funds, and misaligned priorities that do not reflect the urgent housing needs on the ground. This structural dynamic puts rural areas at a disadvantage, despite HOME's flexibility on paper. CARH urges Congress to recognize this disparity and support reforms that ensure equitable access to HOME funding for non-PJs especially in deeply underserved rural communities where the need is high and the capacity to navigate complex funding structures is limited.

To further modernize the HOME program for rural America, CARH recommends several commonsense reforms. These include establishing a dedicated rural set-aside within state allocations, streamlining the application process for small-scale rural projects, and extending commitment and expenditure deadlines to reflect the longer timelines typical in rural development. Additionally, HUD should align HOME requirements more closely with RD and Housing Credit programs to reduce administrative burden and encourage coordinated financing. These updates would make the HOME program more accessible, flexible, and impactful for the rural communities that need it most.

Administrative Steps Needed

Technology Upgrades Needed for RD

CARH continues to be supportive of RD's efforts to obtain funds to upgrade its very outdated IT systems and keep current with stakeholder's needs. We appreciate that the Administration's FY 2026 budget proposal includes \$75 million for technological improvements for RD, which reflects a significant step toward modernizing the agency's operations. IT upgrades are necessary for the Agency to meet the current demand of requests being processed throughout the various departments, especially prepayment and transfers. Currently, even basic functions—such as allowing property owners and borrowers to check their current loan balances online—are not available due to the antiquated nature of RD's systems. It is also critical that IT funding be specifically allocated to the multifamily housing division. In the past, IT resources have not been directed to multifamily, leaving key systems outdated and slowing down essential processes like rent approvals, ownership transfers, and servicing. Without dedicated investment in multifamily IT infrastructure, the backlog of transactions and communications delays will undermine the overall efficiency of the program.

Increased staffing for the Multifamily Housing (MHF) office

CARH strongly supports increased staff resources for RD's Multifamily office. The Multifamily staff is comprised of dedicated, committed professionals doing their best under very difficult circumstances. Our members interact regularly with Multifamily teams across the country, and it is clear that additional capacity is urgently needed to manage rising workloads, address staff retirements and vacancies, and support the growing demand for preservation tools. Staffing shortages have led to customer service challenges, including processing delays and administrative errors. Without meaningful investment in staffing, even well-designed programs will struggle to meet their goals and serve the communities that rely on them.

On behalf of CARH, we thank the Committee for the opportunity to share our perspective on the challenges and opportunities facing rural multifamily housing. With a few targeted and practical changes, Congress can strengthen the public-private partnership that has long supported affordable housing in rural America. We stand ready to work with the Committee, Rural Development, and our partners in the housing community to advance solutions that preserve and expand this critical housing stock for the families, seniors, and workers who depend on it.

Schedule I

Letters to RD and HUD Outlining Recommendations to Streamline Housing Programs



March 28, 2025

Secretary Brooke Rollins
U.S. Department of Agriculture
1400 Independence Ave., S.W.
Washington, DC 20250

Re: CARH Recommendations to Streamline Rural Development Programs

Dear Secretary Rollins:

The Council for Affordable and Rural Housing (CARH) appreciates the opportunity to provide recommendations on how Rural Development (RD), together with the industry, can help streamline and reduce regulatory barriers for the critical housing programs that RD administers such as the Section 515 Program, Section 521 Rental Assistance, and Section 538 Guaranteed Rural Rental Housing Program. All of these programs are crucial to providing safe and stable housing for low-income families, seniors, and farm workers in rural America.

CARH is a national organization representing rural housing providers, developers, lenders, investors, and managers dedicated to ensuring safe, decent, and affordable housing remains available in rural communities. Since 1980, CARH has served as the nation's premier association for participants in the affordable rural housing profession.

Rural Development was established in part to fill gaps left by conventional lenders in rural communities—particularly where private capital was unavailable for both homeownership and affordable rental housing. The Section 514 and Section 515 rural rental housing programs are the backbone of affordable multifamily housing in rural America. Created under the Housing Act of 1949, these programs were designed to provide affordable rental housing in communities where private financing was unavailable. Today, they support more than 12,000 properties nationwide, accounting for over 400,000 units of affordable housing. Every state has Section 514 and 515 properties, highlighting the national scope of this issue. However, most of these properties were built more than 40 years ago. Without reinvestment, they will disappear, leaving rural renters with no viable housing options.

Equally important is the Section 521 Rental Assistance (RA) program, which offers deep subsidies to the lowest-income rural renters. The average income of residents in Section 514 and 515 properties is just over \$16,000 per year, with those receiving RA earning even less. These households cannot absorb rent increases or compete in the private market without support. Notably, Section 521 RA operates at roughly half the per-unit cost of comparable federal rental programs, efficiently serving the nation's most vulnerable renters.

Rural housing has never been solely a government-driven effort it has always been a partnership between the public and private sectors. The Section 538 loan program is a prime example of how the private market and government can work together to create affordable housing

without direct federal subsidies. Likewise, the Low-Income Housing Tax Credit (LIHTC), a program enacted under President Reagan, has leveraged private investment to develop and preserve affordable housing across the country, including in rural areas. These programs prove that investment in rural housing is not about expanding government but about using smart, market-driven solutions to address real needs. Without these programs, many rural seniors, working families, and vulnerable residents would be displaced from their local communities, often forced to relocate to metropolitan areas where affordable options are also scarce. The preservation of rural rental housing is a matter of community stability and economic viability.

At a time when housing needs in rural America are growing and existing assets are aging, regulatory improvements are essential to ensure these programs can meet the moment. For years, CARH members have worked to ensure the continued success of the valuable private-public partnership these programs were designed to deliver to rural Americans. However, we believe there are aspects of these programs where their effectiveness is being limited by regulatory burdens, inefficient administrative processes, and outdated policies that can limit participation from developers, lenders, owners, management companies and private investors. Delays in approvals and duplicative compliance requirements create additional costs that ultimately deter investment in rural affordable housing. The following recommendations were provided by CARH members whose core business is developing, financing, managing and owning, affordable multifamily housing in rural communities nationwide.

The Role of MOUs in Improving Efficiency

One of the most effective ways to address duplicative compliance requirements and regulatory misalignment across different federal, state, and local agencies is through Memorandums of Understanding (MOUs) between RD, the Department of Housing and Urban Development (HUD) and State Housing Finance Agencies (HFAs). These agreements could:

- Streamline compliance and approval processes, ensuring consistency between federal and state agencies.
- Reduce redundancies in physical inspections, rent calculations, approval of management agents/fees and financial reporting, making program administration more efficient.
- Align environmental review processes by allowing third-party assessments from HUD and LIHTC agencies to be accepted by RD instead of requiring a separate review.
- Ensure that utility allowances, property management approvals, and fee structures are standardized, eliminating conflicting requirements that delay approvals.
- Facilitate the realignment of the Office of General Counsel (OGC), ensuring attorneys work within their respective regions. This regional focus will improve efficiency and responsiveness, allowing attorneys to better understand and address local issues.

In addition to establishing MOUs, RD should implement targeted regulatory improvements in transfers, reserve accounts, budgeting, environmental reviews, evictions, inspections,

construction oversight, financing terms, and utility allowances. The following recommendations align with existing RD handbook policies while proposing critical reforms to reduce administrative burdens, enhance efficiency, and encourage long-term investment in rural housing programs. Each section below references the relevant federal regulations and handbooks (with hyperlinks) which are RD's internal guidance documents that implement the applicable regulations.

1. Transfers of Ownership (7 CFR 3560.406, [RD HB-3-3560, Chapter 7](#))

The Section 515 property transfer process is one of the most cumbersome and time-consuming challenges facing rural housing developers and owners. The lack of standard processing timelines, excessive underwriting requirements, and inconsistent guidance across RD offices causes unnecessary delays that hinder transactions and deter investment.

Recommended Changes:

- Expedite the Section 515 property transfer process by reducing redundant documentation and ensuring timely RD review. Transactions can take up to 12 months or longer, creating financial uncertainty for buyers and sellers.
- Eliminate RD underwriting for transfers where no new RD debt is involved, allowing lenders, investors, and state agencies to conduct due diligence. RD underwriting adds unnecessary complexity and delays, especially when no new debt is involved.
- Rely solely on the Project Assessment Tool (PAT) for deal-specific information. Eliminate the need to complete additional forms when the required information is already available in the PAT. This will reduce redundancy and streamline the application process.
- Consolidate RD forms and certifications into a single certification requiring only one signature, eliminating duplicative paperwork. Multiple forms and signatures create administrative burdens and slow down the process.
- Remove environmental review requirements for projects with no new RD debt, aligning with HUD and LIHTC environmental policies. Environmental reviews for projects with no new debt are redundant and delay project timelines.
- If no new RD funds are involved in an acquisition/rehab project, eliminate architectural reviews, unless requested by the developer. Architectural reviews for projects without new RD funds add unnecessary steps and delays.
- Remove RD oversight of pay app/draw reviews unless RD financing is included, reducing unnecessary intervention in privately financed transactions. RD oversight in privately financed transactions adds complexity and delays without providing additional value.

On September 6, 2023, CARH circulated a memo to RD entitled "Improvements to Chapter 7 Transfer Application Process" which provides a detailed set of recommendations on how to further streamline the transfer process. The memo is enclosed herein as [Schedule A](#).

2. Reserve Account Utilization (7 CFR 3560.306, [RD HB-2-3560, Chapter 4](#))

RD's Reserve for Replacement (RR) approval process is overly restrictive, limiting the ability of property owners and management agents to conduct proactive maintenance and make necessary repairs without delays.

Recommended Changes:

- Increase allowable RR deposits to \$600 per unit per year without requiring RD approval, providing a Capital Needs Assessment (CNA) and rent study justify the increase. Higher deposits allow for better maintenance and repairs, ensuring property quality and safety.
- Allow automatic approval for reserve withdrawals under \$10,000, expediting urgent property repairs and routine maintenance. Quick access to funds is crucial for addressing urgent repairs and maintaining property standards. Approvals required before payment, delays payments to vendors.
- Simplify the process for increasing reserve contributions. Currently, property owners must undergo a lengthy approval process to justify higher RR deposits, which can delay necessary maintenance and repairs. By streamlining this process, RD can allow property owners to increase their RR contributions more efficiently. This change will enable proactive maintenance and ensure properties remain in good condition without delays.
- Eliminate the Reserve Account Deposit Account Control Agreement requirement, which unnecessarily restricts access to funds and delays emergency repairs. Removing this requirement ensures timely access to funds for critical repairs.

3. Budgeting and Financial Reporting (7 CFR 3560.205, [RD HB-2-3560, Chapters 7](#))

Recommended Changes:

- Auto-approve annual budget rent increases below a certain threshold (i.e. OCAF), reducing unnecessary manual reviews and unpredictability from office to office. Automatic approvals would streamline the process and reduce administrative burdens while creating predictable rent increases for property owners to better forecast a project's operating income.
- Establish a revised threshold for budget changes that require RD approval, allowing greater flexibility in property financial management. Higher thresholds provide more autonomy and efficiency in managing property finances and will allow RD staff to prioritize review for larger budget items being requested.
- Allow properties to budget for bad debt, enabling them to properly account for uncollected rent and financial losses. Accurate budgeting for bad debt ensures financial stability and realistic financial planning.

- Eliminate RD's review of annual audits if other federal or state programs already require compliance audits, reducing duplicative oversight. Reducing duplicative audits saves time and resources, focusing efforts on essential reviews.

4. Environmental Review Exemptions (7 CFR 1970)

Recommended Changes:

- Exempt minor rehabilitation work from NEPA reviews (i.e. installing French drains to improve drainage, fixing leaks or replacing shingles on roofs, repairing or replacing sections of damaged sidewalks, and upgrading heating, ventilation, and air conditioning systems). These types of projects are localized and do not significantly alter the environment, making extensive reviews unnecessary. If environmental reviews were already conducted when the property was first placed in service, it is duplicative and inefficient to require another review for minor rehab work that does not change the property's use or footprint.
- Allow third-party environmental assessments from HUD and HFAs that administer the LIHTC program to satisfy RD's requirements, eliminating unnecessary duplication. Accepting third-party assessments streamlines the process and reduces redundant reviews.

5. Evictions and Compliance (7 CFR 3560.152 & 7 3560.158, [RD HB-2-3560 Chapter 6](#))

Recommended Changes:

- Evictions should be governed by state-specific laws as state laws are tailored to local conditions and provide a more appropriate framework for managing landlord-tenant relationships. Aligning with state laws will simplify the eviction process and reduce confusion.
- Remove the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) 30-day notice requirement before filing for eviction, aligning RD policy with state landlord-tenant laws.
- Extend the late certification penalty deadline from the 10th to the 15th, preventing resident displacement over minor administrative delays. Extending the deadline provides residents with more time to comply, reducing unnecessary evictions.
- Permit properties to collect RA for three months after recertification expires, following HUD's best practices. Allowing RA collection ensures financial stability during recertification periods.

6. Streamlining Physical Inspections (7 CFR part 3560, [RD HB-2-3560, Chapter 9](#))

Recommended Changes:

- Standardize RD inspections with HUD NSPIRE and LIHTC standards, reducing duplicative property inspections. Standardized inspections reduce redundancy and ensure consistency across programs.
- Utilize MOUs to streamline inspection processes. MOUs between RD, HUD and LIHTC administrators can help coordinate inspection schedules and standards, ensuring one agency's inspection is accepted by others. This approach reduces the number of inspections required and minimizes disruption for property owners and residents.

7. Construction and Rehabilitation ([USDA RD Instruction 1924](#))

Recommended Changes:

- Eliminate USDA RD Instruction 1924 for the renovation of existing projects, aligning RD's construction oversight with LIHTC and state building codes. Aligning oversight with existing codes reduces complexity and streamlines project approvals. These regulations are primarily focused on new construction and should not be applied to the renovation of existing projects.
- Eliminate RD's review of insurance loss claims. Currently, RD's involvement in reviewing insurance loss claims adds an extra layer of oversight, causing delays in the resolution process. By eliminating RD's review, property owners can work directly with insurance companies to expedite claim settlements, ensuring timely repairs and minimizing disruptions for residents. This change will reduce administrative burdens on both RD and property owners, allowing for a more efficient and responsive claims process.

8. Section 538 Guaranteed Rural Rental Housing Program (7 CFR 3565)

Recommended Changes:

- Increase the Loan-to-Cost (LTC) ratio from 70% to 90%, making it easier for developers and owners to secure adequate financing. Higher LTC ratios improve access to financing, supporting project feasibility.
- Lower the Debt Service Coverage Ratio (DSCR) from 1.15 to 1.11, aligning RD with HUD financing guidelines. Lower DSCR requirements make financing more accessible and projects more viable.
- Extend amortization periods from 40 to 50 years, reducing debt service costs and improving long-term affordability. Longer amortization periods lower monthly payments, enhancing affordability.

9. Utility Allowances and Rent Calculations

Recommended Changes:

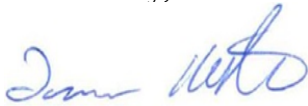
- Eliminate RTO restrictions and workout plans for properties without full RA and vacancy problems. Removing these restrictions will provide more flexibility for property owners to manage vacancies and create more financial stability.
- Allow rent concessions for non-RA units without affecting RTO calculations, ensuring greater leasing flexibility. Rent concessions can help fill vacancies and maintain occupancy rates.
- Standardize or simplify the UA allowance process, requiring utility companies to comply with information release requests. Simplified processes ensure timely and accurate utility allowances.
- Create a universal formula for rent calculation across all housing programs, aligning income-based rent formulas with HUD and LIHTC policies. A universal formula reduces confusion.

By implementing these regulatory streamlining measures, RD can enhance program efficiency, reduce unnecessary administrative burdens, and improve the long-term viability of affordable rural housing properties. These recommendations align with existing RD handbook policies and propose modifications that uphold program integrity while improving operational efficiency.

We greatly appreciate RD's commitment to rural housing and look forward to working together to support sustainable, high-quality affordable housing in rural communities. We understand the agency has had a very busy year, and we greatly appreciate the hard work of you and your staff.

Please let us know if you have any questions or would like to schedule a meeting to discuss these recommendations. If you would like additional information, please contact Colleen Fisher, CARH's Executive Director at (703) 837-9001 or cfisher@carh.org.

Sincerely,



Ian Maute

CARH President

cc: Mr. Vince Haley, Director of White House Domestic Policy Council
Ms. Jacqueline Ponti-Lazaruk, Acting Deputy Under Secretary Rural Development
Ms. Angilla Denton, Acting Administrator Rural Housing Service
Ms. Kailee Buller, Chief of Staff, U.S. Department of Agriculture

Schedule A

Improvements to Chapter 7 Transfer Application Process



Council for Affordable and Rural Housing
Serving the Affordable Housing Needs of Rural America

TO: Karissa Stiers, Deputy Administrator, Office of
Multifamily Housing, Rural Development

Dan Rogers, Director of Production and
Preservation for Multifamily Housing, Office of
Multifamily Housing, Rural Development

Mike Resnik, Director of Asset Management, Office
of Multifamily Housing, Rural Development

Laurie Warzinski, Director of Field Operations,
Office of Multifamily Housing, Rural Development

FROM: Colleen M. Fisher,
Executive Director, CARH

Rebecca Simon, Counsel,
Nixon Peabody, LLP

RE: Improvements to Chapter 7 Transfer
Application Process

DATE: September 6, 2023

Thank you for the opportunity to present our recommendations for improving the Chapter 7 transfer application process for the Section 515 Rural Rental Housing (“Section 515”) program. This memo focuses on three main areas where we see opportunity to make improvements that will significantly expedite and streamline the transfer application process for the Rural Development (“RD” or the “Agency”) Multifamily Housing staff (“Multifamily”) processing the applications and the participants submitting the applications.

As you know, the regulations governing the transfer process are contained at 7 CFR § 3560.406. The existing guidance for the transfer process is found in Project Servicing Handbook HB-3-3560, Chapter 7 (the “Chapter 7 Handbook”). This memo does not request or suggest any regulatory or statutory changes to the transfer process. Instead, this memo focuses on changes that can be made to the review process and updates that can be incorporated into the existing application process. Our goal is to decrease the workload required of RD when an application is received by streamlining the application review process and improving the application format to allow for more efficient and effective approvals.

The Section 515 portfolio is critically important to the availability of affordable rural housing in America. It is also aging at an alarming rate. The infusion of new capital to these properties through transactions that bring in third party financing and other funding sources must be prioritized as a primary path to preservation. Improving the transfer process to allow for faster, more efficient review will allow owners and developers to expand their portfolios and impact the greatest number of properties.

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The three areas of improvement we will focus on in this memo are:

1. Implement Parallel Processing of Multifamily and Underwriting Reviews
2. Increase Accountability from Third Party Reviewers
3. Streamline the Transfer Application

Below are detailed explanations of each recommendation. We look forward to working with the RD team to review and discuss these proposals.

1. Implement Parallel Processing of Multifamily and Underwriting Reviews

The transfer of a Section 515 loan requires review by both a RD loan servicer and a RD underwriter to assess whether the transfer meets RD's administrative, program and underwriting requirements (Project Servicing Handbook HB-3-3560, Chapter 7.2). The current policy at RD requires the RD loan servicer to analyze the full transfer submission for completeness and work with the applicant on any questions or concerns they have on the initial application before submitting the application to underwriting.

This initial review process by the RD loan servicer is extensive. The application, as discussed in more detail below, requires significant third-party reporting, financial data for the entire transaction, including application and data from other financing sources, as well as complete information on the proposed organizational structure and sources and uses. In practice, the RD loan servicer is utilizing a checklist to ensure that every document is included but is not analyzing the application to understand how the various requirements fit into the transaction timeline. Further, the RD loan servicer will review the financing materials, including the PAT, a process that is then repeated once the package is submitted to underwriting.

The process would be significantly improved by bifurcating the review and allowing the initial review of the financing portion of the application to be done by the RD underwriter. By splitting the initial review between the RD loan servicer and the RD underwriter, the discussions between the applicant and RD will immediately get to the heart of any issues in the application. Allowing the applicant to discuss financing issues directly with the RD underwriter from the onset would eliminate many duplicative conversations that happen under the current review structure.

We request that the initial review of a transfer application be split between the RD loan servicer, to review the legal, organizational, and third-party reporting materials, and the RD underwriter, to review the financing materials.

2. Increase Accountability of Third-Party Reviewers and Reliance on Third-Party Reports

A significant portion of the RD transfer application is reviewed by RD staff members who sit outside of the Multifamily organizational structure within USDA. These third-party internal reviews often include review of the appraisal by an Agency appraiser, review of the legal documents by an attorney in USDA's Office of General Counsel ("OGC"), and review of the Capital Needs Assessment ("CNA") and environmental reporting by an Agency construction analyst. As a result of the third-party reviewers sitting outside the Multifamily organization at RD, there is limited ability by the RD loan servicer to impact the timing of these reviews. Many transfer applications are delayed because the application is

sent to the third-party reviewers who have little to no accountability to complete the reviews in accordance with Multifamily's timeline for review of the whole application.

This second recommendation for streamlining the transfer application process is to work internally at USDA with the other offices where these third-party reviewers sit to improve the internal work expectations for review of transfer application documents.

In addition to working with other offices within USDA to improve review timelines, Multifamily should enact policies that allow RD staff to appropriately rely up on third party reporting, as opposed to the current policy that requires RD review of each third-party report. By requiring third-party vendors to complete reports, such as CNAs, environmental reporting, and appraisals, RD should be able to rely upon the expert conclusions in the reports without the need for significant expert review within RD. Allowing the RD loan reviewer to review and accept third-party reports without the need for further review from RD staff, the transfer application process would be significantly expedited.

We recommend that Multifamily work with the third-party internal reviewers to improve processing timeline expectations and enact policies to allow RD loan reviewers to accept the conclusions of third-party reports without the need for extensive review.

3. Streamline the Transfer Application

The final area of opportunity to streamline the transfer application process is by eliminating duplication contained in the Chapter 7 Handbook and consolidating the requirements for a transfer application.

First, the Chapter 7 Handbook contains two separate checklists, which often creates confusion. The checklist contained in Attachment 7-B-1 to the Chapter 7 Handbook is unnecessarily detailed and applicants often have a hard time understanding what the Agency is looking for when they review this checklist. Alternatively, Attachment 7-D to the Chapter 7 Handbook is more streamlined but leaves out some of the requirements of the first checklist. Consolidating these checklists into one, easy to follow checklist would improve consistency and accuracy across transfer applications.

For the rest of this memo, we will refer to Transfer Application Documents Checklist, Attachment 7-B-1 ("Attachment 7-B-1" or "Checklist") to the Chapter 7 Handbook, as that is the more complete of the two checklists. The Checklist has forty-five (45) items, plus the Transfer Preliminary Assessment Tool ("PAT").

a. Duplication of Sources and Uses

The Checklist and PAT each call for generating transaction sources and uses multiple times. The top suggestion for streamlining transfer applications is to create one sources and uses statement that is contained within the PAT and eliminate the need for applicants to copy this information on to any other document. Instead, other areas of the application should simply refer back to the PAT.

The current application requires Sources and Uses to be listed out (in whole or material part) at least eight (8) separate times in the following documents:

1. PAT
2. Executive Summary (Checklist Item #1) (*While the Sources and Uses are not included as chart in this item, the description of the Executive Summary in Attachment 7-B-1 requires inclusion of a*

detailed description of the financing for the deal and how that financing will be used for the benefit of the project.)

3. MFH Transfer and Assumption Application Supplement (Page 3 of Checklist Item #2, Attachment 7-B-2)
4. MFH Transfer and Assumption Application Supplement Exhibit (Page 9 of Checklist Item #2, Attachment 7-B-2)
5. Construction Sources and Uses, for 1924-13 (Checklist Item #11)
6. Application for Federal Assistance (Section 15 of Checklist Item #16, SF-424)
7. Sources and Uses (Checklist Item #18)
8. Sources and Uses Comprehensive Evolution Analysis (Checklist Item #25)

As radical as it sounds, all of these documents can be eliminated, except the PAT. The MFH Transfer and Assumption Application Supplement (Checklist Item #2, Attachment 7-B-2) has been nearly entirely subsumed by the PAT input. That form contains much basic, vital information, but the most important remaining portion is the contact list of names and that could easily be added to the PAT in one of the first few tabs, which already calls out borrower, applicant and project information. If RD needs a “paper” version of the data in addition to the PAT’s Excel format, the PAT or portions of it can be also submitted in PDF, which is often easier to read.

b. Duplication of Scope of Work/Repairs

Similar to the Sources and Uses, the scope of work or scope of repairs that will be made to the project following the transfer are required in multiple documents throughout the application. Both the Exhibit A to the Repair Agreement, the “Description of Repairs” (Checklist Item #10), and the Cost Estimate and Certificate of Cost (Checklist Item #11) require a breakdown of the repairs anticipated to be made by the purchaser. Additionally, the repairs needed at the property are also spelled out in the third-party Capital Needs Assessment (“CNA”) (Checklist Item #8).

For the scope of work-related items, the duplication of information from the CNA (Checklist Item #8) to Exhibit A of the Repair Agreement (Checklist Item #10) and the Cost Estimate (Checklist Item #11) creates three (3) separate documents with different formatting relating the same information to RD: the repairs needed at the project that will be addressed by the purchaser following the closing of the transaction. Here, RD could modify both the Repair Agreement (Checklist Item #10) and the Cost Estimate (Checklist Item #11) to include one standard Scope of Work attachment derived from the Capital Needs Assessment. Purchasers will typically have a Scope of Work created when putting together the initial financing plan for the project that could be used. Requiring this Scope of Work as a standard document and referring to it in the Repair Agreement (Checklist Item #10) and in a certification of cost from a contractor (as is required in the Cost Estimate (Checklist Item #11) will streamline the review of the anticipated work and eliminate inconsistencies amongst the documents.

c. Duplication of Project Budget

The Proposed Project Budget (Checklist Item #17, RD 3560-7) is included as both a standalone document as well as in the PAT in the “Rents and Operations” and “Cash Analysis Tab” and in the Financial Pro Forma (Checklist Item #20). The instructions should be clarified such that both the year of construction budget and the first-year stabilized budget should be provided (which would actually expand the request data). Doing so will complement the rest of the project budget. The PAT includes the exact requirements from Part I through IV of the Proposed Project Budget and the remaining items in the form would be included in a Financial Pro Forma. Rather than completing the PAT and then retyping the paper or PDF

of the 3560-7 Budget form (Checklist Item #17), that part of the PAT can just be resubmitted as a PDF. See below for a full breakdown:

- Part I of RD 3560-7 – Cash Flow Statement – *Included in full in PAT (Rents and Operations Tab).*
- Part II of RD 3560-7 – Operating and Maintenance Expense Schedule – *Included in full in PAT (Rents and Operations Tab).*
- Part III of RD 3560-7 – Account Budgeting/Status – *Included in full in PAT (Cash Analysis Tab).*
- Part IV of RD 3560-7 – Rent Schedule and Utility Allowance – *Included in full in PAT (Rents and Operations Tab).*
- Part V of RD 3560-7 – Annual Capital Budget – *Included in application as Financial Pro Forma (Checklist Item #20).*

d. Other Areas of Duplication

Several additional small changes that will eliminate unnecessary checklist items in the transfer applications are as follows:

- Proof of Citizenship (Checklist Item #32) – The Federal Tax ID number or Social Security number is required on the Previous Participation Certification (Checklist Item #27, HUD 2530/RD 1944-37) making this item unnecessary and duplicative. Further, some offices have begun requiring an attorney certification of this item, which is also unnecessary. Checklist Item #32 should be eliminated.
- Attorney Opinion (Checklist Item #34) and Attorney Certification (Checklist Item #38) – From experience, there is no consistency in the format or type of opinions, which varies by OGC review attorney. There are also multiple different formats that we have seen. And the request for these documents often comes in the early part of the processing where many of the certifications or opinions have not occurred yet, as a matter of law. There should be one format of opinion and as is typical of real estate transactions, should be provided in draft at application and signed and collected at closing.
- Appraisals and Rent Comparability Studies: Checklist Items # 12, 13 and 14 call out USDA Security Value Appraisal, As-Is Unrestricted Appraisal, and Rent Comparability Study. But in practice RD staff will usually point to Handbook HB-1-3560, Chapter 7 and ask for a range of values as set forth in that guidance. Those three items should be replaced with an appraisal as either provided by RD (RD rules still speak to that process) or submitted by the applicant in compliance with HB-1-3560, Chapter 7.
- Self-Evaluation and Transition Plan (Checklist Item #9): As previously discussed, the Self-Evaluation and Transition Plans (Checklist Item #9) should be something that RD has on file, but the request should be coordinated with the scope of work, above, and any current or new management plan to eliminate barriers as part of the rehabilitation and part of any updating to project procedures. This will also help incorporate tasks from the management plan and the Affirmative Fair Housing Marketing Plan. Further, for any projects undergoing full rehabilitation, the plan should be not applicable, as all new rehabilitation projects require full compliance with Section 504.

e. Streamlining of Certifications

The Chapter 7 Transfer Application requires certain certifications from both the seller and purchaser. Checklist Item #2 includes five (5) joint certifications, two (2) seller certifications, and five (5) purchaser

certifications. These certifications overlap, in part, with the Repair Agreement. The various certifications and the Repair Agreement can be combined in one document. Attached is a rough draft example of how such a consolidated Agreement and Certification could work.

Checklist Items #29 and #39 through #43 are additional certifications made by the purchaser relating to civil rights, lobbying and other issues. All of these are important, and we recognize there are specific statutory and Executive Order concerns that generated most or all of these forms (ie, Equal Opportunity Agreement, Lobbying Certificate, Drug Free Workplace). Still, a material efficiency can be gained by adding each of these forms to a single PDF or if there is an issue, a single zip file that applicants can pull down together. Indeed, that can work for really all of the remaining forms. Most, not all, can be found at different parts of the RD website, but a single file would be most efficient.

f. Clarifying Guidance

At the risk of expanding work in other areas, there are a few items where the guidance could be made clearer:

1. Environmental Information (Checklist Item #21) should be more clearly tied into what information might be triggered and when.
2. Regulation Requirements (Checklist Item #23) need to be clarified as to which regulation requirements are need by RD.
3. Credit Report Fees (Checklist Item #31) seems to always confuse applicants and it is almost always a de minimis amount, such as \$24. Perhaps a published amount could be posted?
4. Request for Rental Assistance (Checklist Item #45) is clear but perhaps it can be clarified, as it is relating to annual budgets, that any application is an automatic request for Rental Assistance for rent overburdened tenants?
5. Construction Documents are being requested with transfer applications by many offices but do not appear on the checklist and are not generally available until much further along in the transaction. It would be helpful to clarify for the RD loan servicers what is appropriate to request for the purposes of approving the proposed rehabilitation.

We appreciate the time and effort spent by RD in reviewing our recommendations for streamlining the transfer application process and eliminating duplication amongst the required documents. We would be happy to discuss each of these recommendations in more detail if that would be helpful.



April 17, 2025

Secretary Scott Turner
U.S. Department of Housing
and Urban Development
451 7th St SW
Washington, DC 20410

Re: CARH Recommendations to Streamline HUD Programs

Dear Secretary Turner:

The Council for Affordable and Rural Housing (CARH) appreciates the opportunity to provide recommendations on how the United States Department of Housing and Urban Development (HUD), together with the industry, can help streamline and reduce regulatory barriers for the critical housing programs that HUD administers. CARH is a national organization representing rural housing providers, developers, lenders, investors, and managers dedicated to ensuring safe, decent, and affordable housing remains available in rural communities. Since 1980, CARH has served as the nation's premier association for participants in the affordable rural housing profession.

While CARH's members primarily work within the U.S. Department of Agriculture's Rural Development (RD) housing programs—such as Section 515 Rural Rental Housing, Section 514 Farm Labor Housing, and Section 521 Rental Assistance—HUD programs often intersect with and support the same rural communities CARH members serve. Many rural affordable housing developments rely on subsidies and layered financing that includes HUD-administered programs such as the Project-Based Section 8 Program, Housing Choice Vouchers and the HOME Investment Partnerships Program. Additionally, programs such as the Federal Housing Administration (FHA) mortgage insurance programs, the Community Development Block Grant (CDBG) Program, and Rental Assistance Demonstration (RAD) conversions for PRAC properties under the Section 202 and Section 811 programs play an increasingly important role in financing, preserving, and modernizing rural housing infrastructure. These initiatives, while often overlooked in rural discussions, play an important role in housing rehabilitation, site development, and the preservation of affordable housing options for elderly and disabled residents in rural communities.

RD was established in part to fill gaps left by conventional lenders in rural communities—particularly where private capital was unavailable for both homeownership and affordable rental housing. The Section 514 and Section 515 rural rental housing programs are the backbone of affordable multifamily housing in rural America. Created under the Housing Act of 1949, these programs were designed to provide affordable rental housing in communities where private financing was unavailable. Today, they support more than 12,000 properties nationwide, accounting for over 400,000 units of affordable housing. HUD plays a crucial role in supporting these efforts by providing additional funding and rental subsidies to ensure the sustainability and expansion of affordable housing in rural areas.

Likewise, the Low-Income Housing Tax Credit (LIHTC) program, a program enacted under President Reagan, has leveraged private investment to develop and preserve affordable housing across the country, including rural areas. These programs prove that investment in rural housing is not about expanding government but about using intelligent, market-driven solutions to address real needs. Without these programs, many rural seniors, working families, and vulnerable residents would be displaced from their local communities, often forced to relocate to metropolitan areas where affordable options are also scarce. The preservation of rural rental housing is a matter of community stability and economic viability. HUD's involvement is essential in bridging the gaps and enhancing the impact of RD programs.

CARH members are optimistic that, under your leadership, "Opportunity Zones" will begin to serve their intended purpose in rural communities. Your prior work as Executive Director of the White House Opportunity and Revitalization Council demonstrated a deep commitment to underserved areas. CARH members hope that, by bringing that same focus to rural communities, these initiatives can finally help unlock meaningful development in rural housing markets that have historically been overlooked.

At a time when housing needs in rural America are growing and existing assets are aging, regulatory improvements are essential to ensure these programs can meet the moment. For years, CARH members have worked to ensure the continued success of the valuable private-public partnership these programs were designed to deliver to rural Americans. However, we believe there are aspects of these programs where their effectiveness is being limited by regulatory burdens, inefficient administrative processes, and outdated policies that limit participation from developers, lenders, owners, management companies and private investors. Delays in approvals and duplicative compliance requirements create additional costs that ultimately deter investment in rural affordable housing. The following recommendations were provided by CARH members whose core business is developing, owning, and managing affordable multifamily housing in rural communities nationwide.

The Role of MOUs in Improving Efficiency

One of the most effective ways to address duplicative compliance requirements and regulatory misalignment across different federal, state, and local agencies is through Memorandums of Understanding (MOUs) between HUD, RD and State Housing Finance Agencies (HFAs). These agreements could:

- Streamline compliance and approval processes, ensuring consistency between federal and state agencies.
- Reduce redundancies in physical inspections, rent calculations, approval of management agents/fees and financial reporting, making program administration more efficient.
- Align environmental review processes by allowing third-party assessments from RD and LIHTC agencies to be accepted by HUD instead of requiring a separate review.

- Ensure that utility allowances, property management approvals, and fee structures are standardized, eliminating conflicting requirements that delay approvals.
- Facilitate the realignment of the Office of General Counsel (OGC), ensuring attorneys work within their respective regions. This regional focus will improve efficiency and responsiveness, allowing attorneys to better understand and address local issues.

In addition to establishing MOUs, HUD and RD should implement targeted regulatory improvements in transfers, reserve accounts, budgeting, environmental reviews, evictions, inspections, construction oversight, financing terms, and utility allowances. The following recommendations align with existing HUD handbook policies (hyperlinks included) while proposing critical reforms to reduce administrative burdens, enhance efficiency, and encourage long-term investment in rural housing programs.

1. Environmental and Labor-Related Compliance: [24 CFR Part 50](#) and [Davis-Bacon Act](#)

Many environmental and labor-related compliance requirements impose significant time and cost burdens on affordable housing rehabilitation and preservation efforts—especially when no new HUD funds are involved. These processes often duplicate reviews already conducted by other agencies and deter developer participation in HUD programs.

Recommended Changes:

- **Exempt rehabilitation projects from environmental reviews and Uniform Relocation Act (URA) requirements when no new HUD debt is involved.** Rehabilitation efforts that do not add density, alter site use, or involve new funding should not trigger full environmental review processes. These exemptions would allow critical upgrades to proceed more quickly and affordably, while preserving HUD's environmental goals through categorical exclusions.
- **Remove Davis-Bacon requirements from Section 8 and Project-Based Voucher (PBV) projects with no new HUD funding.** Davis-Bacon prevailing wage requirements significantly increase rehabilitation costs, often making preservation projects financially infeasible. When no new federal funds are added, these requirements serve no practical oversight purpose and should not apply.
- **Eliminate environmental review requirements for PBV requests/awards without additional HUD funding.** Local Public Housing Authorities (PHAs) already conduct oversight of PBV placements. Requiring an additional layer of environmental review for awards without new HUD capital creates unnecessary barriers, delays, and administrative costs—especially when similar properties are already operating under HUD standards.

2. Compliance and Verification Simplification: [HUD Handbook 4350.3, REV-1, Chapter 5](#)

HUD's current verification requirements and compliance processes can be administratively burdensome and, at times, duplicative, often resulting in limited improvements to overall program

integrity or outcomes. These layers of oversight, while well-intentioned, can divert critical time and resources away from direct service to residents. Streamlining these requirements—particularly where similar data is already being collected by other agencies—would enhance efficiency without compromising accountability.

Recommended Changes:

- **Eliminate Enterprise Income Verification (EIV) entirely; if not feasible, remove income discrepancy reporting and allow cross-agency access to EIV data.** This would reduce duplicative efforts, minimize confusion caused by outdated or mismatched wage data, and allow housing providers to focus on accurate, real-time verification methods already in use by other federal and state programs.
- **Simplify resident income verification by adopting a self-certification model, with full recertification every three years and penalties for any false reporting.** A streamlined self-certification process would reduce the administrative burden on property managers and residents, especially in rural areas where access to documentation or third-party verifiers may be limited. By limiting full recertifications to every three years—rather than annually—and establishing meaningful penalties for intentional misreporting, the program could maintain integrity while significantly improving efficiency and housing provider capacity. This approach is already successfully utilized in other federal programs and could help align HUD requirements with real-world implementation challenges.
- **Eliminate the requirement to include student grants, scholarships, and third-party support in income calculations.** Including these forms of educational support in income calculations can inadvertently penalize low-income students who are pursuing higher education, particularly in rural communities where access to post-secondary opportunities is already limited. Removing this requirement would encourage educational advancement without jeopardizing housing assistance, aligning housing policy with broader federal goals around education, workforce development, and economic mobility.
- **Align verification documentation timelines with RD's 90-day standard.** Requiring documentation to be dated within 90 days of certification, as RD does, strikes a reasonable balance between ensuring accurate income reporting and minimizing unnecessary administrative burden. Aligning HUD's policies with this standard would improve consistency across federal housing programs, reduce paperwork for housing providers, and simplify compliance for properties layered with multiple funding sources.
- **Eliminate Section 8 income targeting requirements when adding HUD units to existing sites.** Applying additional income targeting requirements when HUD units are added to existing affordable housing developments can create unnecessary complexity and restrict the financial feasibility of mixed-income or layered-financing projects. Eliminating this requirement would provide greater flexibility to align funding sources, preserve existing affordable units, and streamline compliance across programs without diminishing the availability of affordable housing.

3. Inspection and Monitoring: [HUD Handbook 4350.1, Chapter 6](#)

Current inspection and monitoring protocols are often duplicative, overly punitive for minor errors, and out of sync with practical property management realities. These issues divert time and resources away from improving resident services and maintaining property conditions.

Recommended Changes:

- **Eliminate the Affirmative Fair Housing Marketing Plan (AFHMP) requirement.** Owners and managers of HUD-assisted and RD-assisted housing are already required to follow federal, state, and local fair housing laws through lease-up procedures, tenant selection plans, and oversight from multiple agencies. In practice, the AFHMP adds little value to the leasing process and has become a duplicative paperwork requirement. Removing the AFHMP for properties that are otherwise subject to fair housing enforcement would reduce administrative burden without weakening protections for prospective residents.
- **Institute a threshold for Management and Occupancy Review (MOR) calculation errors; provide additional time for corrections.** Minor discrepancies should not result in findings or penalties. Establishing a tolerance threshold would ensure reviews focus on material issues and give owners a fair opportunity to correct minor errors before enforcement actions.
- **Reduce inspection duplication by consolidating oversight among HUD, RD, and other agencies.** Properties with layered financing are frequently subjected to multiple inspections by HUD, RD, LIHTC compliance monitors, and local PHAs. These inspections often assess the same standards. Allowing one qualified agency to lead inspections—recognized across funding sources—would reduce burden and enhance efficiency.
- **Permit eviction for residents who fail to complete recertification.** Residents who repeatedly fail to comply with recertification requirements create challenges for compliance and disrupt the integrity of income-based housing programs. Owners should be allowed to initiate lease enforcement, including eviction, in accordance with program rules.
- **Allow state law to govern eviction timelines; repeal CARES Act's 30-day notice rule.** The CARES Act's federal eviction timeline has created confusion and unnecessary delays in markets where state laws already provide robust resident protections. Aligning eviction timelines with state law would create consistency, restore due process, and support effective property management.

4. Asset, Income, and Resident Screening: [HUD Handbook 4350.3](#)

Current HUD screening and eligibility policies, while well-intentioned, can unintentionally create barriers for both applicants and property owners. Rigid thresholds and conflicting

requirements reduce flexibility in resident selection and create administrative burdens that do not necessarily contribute to housing stability or program integrity.

Recommended Changes:

- **Increase the \$100,000 asset threshold annually, using the same formula applied to the \$50,000 threshold.** Indexing this threshold to inflation ensures the rule remains relevant over time and does not penalize households with modest retirement savings or assets that are not income-generating.
- **Eliminate exceptions to screening criteria for special claims participants.** Current policies often require owners to accept residents who do not meet established screening criteria if they are linked to certain claims processes. This undermines a property's ability to enforce consistent, fair screening practices and can deter participation in HUD programs.
- **Remove limitations on consistent credit screening policies in Tenant Selection Plans (TSPs).** Owners should be allowed to implement reasonable, uniformly applied credit criteria that reflect their property's market and operational needs. Restricting this flexibility reduces the ability of owners to assess risk fairly and effectively.
- **Standardize or simplify the Utility Allowance (UA) process and require utility companies to comply with release of information.** The current UA process varies widely by jurisdiction and program, creating confusion and inconsistencies for owners and managers operating in multiple regions. Establishing a standardized or simplified UA methodology would ensure consistency, reduce administrative costs, and minimize rent-setting delays. Additionally, utility providers should be required to release data upon request, as delays in obtaining this information often result in prolonged approval timelines or reliance on outdated figures that don't reflect actual resident utility costs.

5. Program Coordination and Administrative Flexibility

The absence of formal coordination mechanisms between HUD, RD, and other housing agencies leads to inconsistent program implementation, redundant approvals, and unnecessary administrative burdens for owners and managers. This misalignment undermines efficiency, increases compliance costs, and delays service delivery to residents.

Recommended Changes:

- **Establish a formal MOU between HUD and RD for rent approvals, management agent approvals, and the use of RD management fees.** A MOU would create clear lines of authority and standardized procedures, reducing duplicative reviews and conflicting requirements that frustrate both owners and administrators.
- **Align HUD rent structures with RD for mixed-finance properties.** Properties operating under both HUD and RD programs should not be forced to adhere to two rent-setting

processes. Alignment would promote consistency, simplify compliance, and ensure financial sustainability across programs.

- **Improve coordination between HUD, RD, and local PHAs to streamline program delivery.** Increased collaboration among federal and local entities would reduce delays, eliminate unnecessary duplicative oversight, and allow for a more seamless resident experience.
- **Discontinue the “month-ahead” Housing Assistance Payment (HAP) voucher processing to avoid frequent retroactive adjustments.** The current advance billing model often results in errors, corrections, and administrative inefficiencies. Moving to real-time or current-month processing would reduce burdens on PHAs and owners while increasing accuracy in subsidy delivery.

6. Systems and Technology Modernization

HUD’s legacy systems—most notably HUD Secure Systems, the new E-Tool for Capital Needs Assessments and the NSPIRE portal—are outdated, fragmented, and difficult to navigate, resulting in inefficiencies for both agency staff and housing providers. These platforms hinder data integration, delay processing, and create unnecessary administrative burdens.

Recommended Changes:

- **Eliminate systems in favor of a unified, modern, user-friendly software platform.** A centralized system would significantly improve usability, reduce training needs, and allow for more efficient submission, processing, and tracking of required documentation.
- **Ensure compatibility across HUD, RD, and HFAs.** Cross-agency compatibility would streamline compliance for properties operating under multiple funding sources and reduce redundant data entry, improving accuracy and saving time for all parties.
- **Enable streamlined data transmission, budget submissions, and reserve requests.** A modern system should allow for seamless electronic transmission of required documentation, eliminating paper-based processes and enabling real-time communication, review, and approval of budgets, reserve for replacement requests, and other submissions. This would accelerate approvals and allow owners and agencies to respond more effectively to property needs.

7. Build America, Buy America (BABA)

While well-intentioned, the BABA requirements have unintentionally created significant barriers to affordable housing production, particularly in rural areas. Small-scale developers and nonprofit owners often lack the procurement capacity to comply with the documentation and sourcing mandates, and the additional costs and delays are threatening the viability of critical projects.

Recommended Changes:

- **Exempt small and rural affordable housing projects from BABA requirements.** The scale and scope of rural projects often do not justify the complexity or cost of full BABA compliance. Exempting these projects would preserve development feasibility and housing affordability in hard-to-reach markets.
- **Limit architect liability regarding BABA certification.** Design professionals are being asked to certify sourcing beyond their control, exposing them to undue risk. Clarifying or limiting liability would protect architects and encourage continued participation in HUD-assisted projects.
- **Simplify paperwork to improve contractor participation.** Contractors, particularly in rural areas, are opting out of HUD jobs due to BABA's burdensome reporting. Streamlining compliance procedures would expand the pool of qualified contractors.
- **Address cost increases and supply chain disruptions aggravated by BABA.** Domestic sourcing restrictions have driven up prices and prolonged delivery times, making project timelines unpredictable and budgets untenable. HUD should allow waivers or flexibility where BABA compliance would jeopardize project completion or affordability.

8. Cross-Program Regulatory Frameworks

The absence of standardization across HUD programs leads to unnecessary complexity for property owners, managers, and residents. Differing eligibility rules, income limits, rent formulas, and documentation requirements complicate compliance and increase administrative costs—diverting resources away from housing delivery and long-term affordability.

Recommended Changes:

- **Create a universal rent calculation formula based on income and family size.** A consistent rent-setting methodology would eliminate confusion and simplify property budgeting and resident communication, especially in mixed-finance properties.
- **Standardize income limits and rent-setting methodologies across all HUD programs.** Aligning program rules would streamline operations for developers and property managers who operate multiple HUD-assisted properties and reduce the need for separate compliance systems.
- **Reduce paperwork and eliminate redundant documentation requirements.** Many HUD programs request duplicative information, slowing application and recertification processes. A consolidated documentation framework would ease the burden on both applicants and housing providers.
- **Encourage consistent eligibility criteria and application processes across all HUD-assisted programs.** Residents should not face dramatically different experiences based

solely on the HUD program they qualify for. Uniformity in eligibility screening and application processing would promote fairness, reduce errors, and allow for more efficient delivery of housing assistance.

By implementing these regulatory streamlining measures, HUD can enhance program efficiency, reduce unnecessary administrative burdens, and improve the long-term viability of affordable rural housing properties. These recommendations align with existing HUD handbook policies and propose modifications that uphold program integrity while improving operational efficiency.

We greatly appreciate HUD's commitment to rural housing and look forward to working together to support sustainable, high-quality affordable housing in rural communities. We understand the agency has had a very busy year, and we greatly appreciate the hard work of you and your staff.

Please let us know if you have any questions or would like to schedule a meeting to discuss these recommendations. If you would like additional information, please contact Colleen Fisher, CARH's Executive Director at (703) 837-9001 or cfisher@carh.org.

Sincerely,

Ian Maute

CARH President

cc: Mr. C. Lamar Seats, Deputy Assistant Secretary, HUD Office of Multifamily Housing Programs
Mr. Andrew D. Hughes, Chief of Staff, HUD
Mr. Vince Haley, Director of White House Domestic Policy Council
Ms. Jennifer Larson, Director of Multifamily Asset Management and Portfolio Oversight, HUD

Ian J. Maute

Director of Development

Ian Maute joined Buckeye Community Hope Foundation (BCHF) in 2013. He has been involved in the development of affordable housing using the LIHTC, USDA Rural Development, and HUD funding programs since 2005. Ian specializes in both new construction projects and the acquisition and rehabilitation of existing affordable housing properties. Prior to joining BCHF, Ian was the Vice-President of Development for a large, regional affordable housing developer. As Director of Development for BCHF, he is directly responsible for all development activities across the organization's footprint.

Ian is the former President of the Ohio Housing Council Board of Trustees, a member of the Board of Directors of the Ohio Council for Affordable and Rural Housing (OCARH), and the current President of the Board of Directors for the National Council for Affordable and Rural Housing (CARH).

Ian received his B.S. (cum laude) in Business Administration from The Ohio State University in 2005, and his MBA from Ohio State's Fisher College of Business in 2012.