Testimony Before the

House Financial Services Committee

Housing & Insurance Subcommittee

Offered on behalf of the

Nebraska Bankers Association

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BACKGROUND

Good afternoon, Subcommittee Chair Flood, Ranking Member Cleaver, and members of the Subcommittee on Housing and Insurance. My name is Richard Baier. I currently serve as President and CEO of the Nebraska Bankers Association (NBA), a statewide trade association representing 154 member banks in the Cornhusker State. Prior to my current position, I spent almost nine years as head of economic development for the State of Nebraska where I was responsible for the state's housing strategy and affordable housing programs. Prior to my leadership role with the state, I was a practicing economic developer for three different Nebraska communities. Just as relevant to today's discussion, I grew up in the small rural community of La Crosse, Kansas, population 1,266, where my family operated a plumbing and HVAC business thereby offering me a hands-on education about the trials and tribulations of building homes in rural communities.

QUANTIFYING THE PROBLEM

Fortunately, Nebraska has had one of the lowest unemployment rates in our country for more than a decade. Conversely, many of our rural counties have lost population every decade since the 1960s. Much of our state's growth has occurred in metro and micropolitan regions. Growing employers based in our state's rural areas outside of Lincoln and Omaha always cite a lack of local workforce housing as the primary reason they cannot create new jobs in their local respective communities.

A recent report by Moody's Analytics indicates Nebraska is experiencing a shortage of more than 120,000 housing units statewide. Similarly, the National Low Income Housing Coalition suggests that Nebraska is currently short 40,000 rental units. While reported housing vacancies are higher in Nebraska's rural counties, many of these units are not available for sale or rent because of the condition of the property. *(Moody's Analytics, The Good Life at the Wrong Price: Nebraska's Affordable Housing Challenges, July 2024)*

One common indicator related to housing market challenges is the age of the housing stock. Recent research conducted by the Nebraska Investment Finance Authority (NIFA) notes that 19% of Nebraska's housing stock was constructed before 1939. When the data is broken down further via the Rural Urban Continuum Code (RUCC), the data highlights that 28-36% of the homes in Nebraska's most rural counties were built prior to 1940 and 74% were constructed before 1980, despite full employment being experienced in these regions. *(Nebraska Investment Finance Authority: Rural Housing Barriers and Roadblocks, 2025)* Quite simply, rural Nebraska's housing stock – like that in other rural areas of the country – is past retirement age.

Today, I would like to focus my comments on four themes:

A. Sharing the challenges of building quality housing stock in rural areas,
B. Discussing the limitations and challenges associated with current affordable housing programs,

C. Highlighting a unique, highly successful state program for tackling rural workforce housing in Nebraska, and finally,
D. Offering a couple of new ideas as Congress looks to proactively address housing quality and availability in rural America.

A. UNIQUE CHALLENGES IN RURAL AMERICA

There are a number of unique challenges which limit the ability of rural areas to maintain and build adequate housing. A majority of the homes currently being built in rural areas are large, custom homes which carry a hefty price tag. The owners of these custom homes have the financial resources to construct and finance this type of dwelling. However, there is a clear lack of housing to accommodate working families. According to the 2021 American Community Survey, many of Nebraska's rural communities now have less than 2% of their housing stock available for sale or rent, thereby indicating the need for new housing supply to accommodate working Nebraskans. *(UNO Center for Public Affairs Research, Housing Availability and Quality in Nebraska, 2022)*

While it may seem counterintuitive to some, costs for building new housing units in rural areas are substantially higher when compared to similar units in urban areas. These cost differences are driven by a myriad of economic and market factors.

Fundamentally, Nebraska, like other rural areas of our great country, lacks an adequate supply of material vendors, contractors, and subcontractors to successfully build new housing units. In Nebraska, for example, there is only one true concrete business located west of our state's east-west midpoint. Similarly, rural counties often have only one or two highly trained tradespeople in certain specialties (i.e. plumbers and HVAC). These subcontractors often have more business than they want or need.

Costs associated with transporting materials to more rural locations within the state help to drive up overall housing construction costs. Research conducted by NIFA suggests that building the same housing unit in the small community of Valentine which is located nearly five hours outside of Lincoln and more than two hours off of Interstate 80, for instance, will cost at least 15% more than the same unit built in Grand Island, which is located along Interstate 80 and 1.5 hours west of Lincoln. *(Nebraska Investment Finance Authority, Shannon Harner, Executive Director Interview, June 9, 2025)*

Finally, there are very few buildable lots or developers willing to take on the substantial risk associated with building housing units in rural areas. The annual absorption rate for new lots is low, thereby prohibiting private sector developers from developing traditional subdivisions or neighborhoods like you might see in urban areas. Similarly, this slow absorption rate makes bank lending on a speculative basis extremely risky. In most cases, the only way to develop new lots is through public partnerships that include local municipalities, local foundations, state and federal programs and other stakeholders.

Likewise, there is also a limited number of developers willing to take on large-scale rural projects. These developers often lack the capital and staffing to build in multiple communities at the same time. A prominent rural developer told me recently that their firm could take on 30 more projects per year if they had unlimited funds and 20 new, highly trained staff members.

B. LIMITATIONS OF CURRENT PROGRAMS

Federal, state and even local municipalities have created an exorbitant number of government programs with the intention of maintaining and growing the housing stock in rural communities. While well intentioned, utilization of these programs is severely limited by differing rules and regulations, varying definitions, mismatched application dates, and inconsistent qualifying income thresholds.

As an example, federal rules currently limit the Low Income Housing Tax Credit (LIHTC) program to projects which service individuals with incomes below 60% of the Area Median Income (AMI) while the National Housing Trust Fund is limited to those potential tenants with incomes below 30% AMI. For HUD's HOME Program, low income is defined as up to 60-80% of AMI. Rural housing developers routinely "layer or stack" these various programs to make their projects economically feasible. One regional housing developer I know estimates that the administrative burden of layering these various government programs adds 25% to the overall cost of construction.

Current government housing programs also have substantial administrative and reporting burdens. Subdivisions and neighborhoods built in urban areas typically conduct a basic environmental assessment as required by their local municipality; public housing programs require a full environmental impact assessment which can take a substantial amount of time to complete, resulting in more overall carrying costs. Similarly, federal programs mandate compliance with items such as Davis Bacon. Again, this requirement may be well intended, but it does not work well in a rural county which may only have one or two specialized trades people/businesses.

As noted above, many of the current federal and state housing programs are directed to demand side activities such as first-time homebuyer grants. These programs, while admirable, can compound the housing challenges in rural communities. As an example, the community of Laurel, Nebraska, (population 948) recently had two potential homeowners that received a first-time homebuyer grant. Unfortunately, the community had only one home for sale at the time which resulted in a bidding war, thus raising the sale price of the existing home. An unintended consequence of this situation is that the new homeowner now faces higher property taxes and insurance costs in addition to a higher mortgage.

C. NEBRASKA'S SOLUTION: NEBRASKA RURAL WORKFORCE HOUSING INVESTMENT ACT

In response to input from member banks, the NBA launched a Rural Workforce Housing Task Force in 2015 focused on finding private sector driven solutions to the state's rural housing crisis. The most notable solution resulting from this Task Force was the creation of the Rural Workforce Housing Investment Fund (LB 518) which was passed and signed into law by then-Governor, now Senator Pete Ricketts in 2017.

The RWHF, which is administered by the Nebraska Department of Economic Development, provides state matching grants to local non-profit developers or communities in counties with less than 100,000 inhabitants focused on building new owner-occupied and rental housing units; this fund does not have income restrictions but rather limits projects by the cost of construction. New home construction is limited to $325,000 per unit while multi-family unit construction costs are capped at $250,000 per unit. The Nebraska Legislature has routinely adjusted these cost limits to account for inflation. One unique caveat to the RWHF is that grant recipients cannot use any other federal or state housing programs that restrict the level of individual or household income to less than 100% of the AMI.

This novel matching grant program has produced quantifiable impacts since it launched in 2017. Grant recipients have leveraged RWHA funds to provide rental and purchase guarantees, rehabilitate second-story commercial units into housing, create low interest revolving loan funds, and support infrastructure, as examples. To date, the State of Nebraska has awarded more than $59 million in RWHF grants which were matched by $36.8 million in local funds. NBA-member banks have provided much of this local grant match.

Collectively, these funds have resulted in the development of 331 owner-occupied units and 655 rental units, plus an additional 678 units under construction. RWHF funds in the city of Columbus (population 24,464), for example, have led to the creation of 800+ new housing units. Demand for the program by not-for-profit developers and political subdivisions remains strong.

D. OTHER POTENTIAL OPPORTUNITIES

As leaders of this Subcommittee and Congress look to understand and address Housing in the Heartland, I would like to take a moment to share several other specific concepts for your consideration:

1. The banking industry encourages support for H.R. 1822 - the Access to Credit for our Rural Economy Act of 2025 (ACRE) which would assist banks in offering lower cost mortgages to individuals buying homes in communities of less than 2,500 residents.
2. Consider consolidation of existing programs and align the regulations and restrictions between all federal housing programs.
3. Create paths within existing and new programs specifically focused on housing rehabilitation. The cheapest rural house to build is a newly renovated unit.

4. Allow federal programs to focus on the removal of blighted and substandard housing units, thereby freeing up lots which have existing city services such as water and sewer. This alternative represents a low-cost strategy to develop available lots.
5. Consider allowing the conversion of existing public housing units to be privatized and modernized utilizing Low Income Housing Tax Credits.
6. Finally, consider reallocating existing program resources to create a loan guarantee program for local banks to utilize in supporting consumer renovations, speculative construction, upper story remodels, etc. A template for this type of program already exists in the agricultural space with the Farm Service Agency guarantee program; special attention would be required to limit placing unreasonable administrative and reporting restrictions on this loan guarantee tool.

CONCLUSION

Thank you for the opportunity to appear before you today and to share Nebraska insights related to rural housing. Together, we can better leverage the collective power of the housing industry, community leaders and common-sense public programs to successfully address our rural housing needs!