HAC

Housing Assistance Council

We build homes and communities in rural America

Statement for the Record of David Lipsetz,
President & CEO, Housing Assistance Council

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Subcommittee on Housing and Insurance
"Housing in the Heartland: Addressing Our Rural Housing Needs"
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INTRODUCTION

Chairman Flood, Ranking Member Cleaver, and members of the Subcommittee, good afternoon and thank you for this opportunity to testify on the housing challenges faced by rural Americans. It gives me great hope that this Subcommittee is shining light on this issue. My name is David Lipsetz and I am the President & CEO of the Housing Assistance Council, known as "HAC."

HAC helps build homes and communities across rural America. Founded in 1971, headquartered in Washington, D.C. and working in all 50 states, HAC is a national nonprofit and a certified community development financial institution (CDFI). We are dedicated to helping local rural organizations build affordable homes and vibrant communities. HAC has a specific focus on high-needs rural regions and areas of persistent poverty, including rural Appalachia, Native American communities, the Mississippi Delta and southern Black Belt, farmworker communities, and the Southwest border colonias. We provide below-market financing, technical assistance, training and information services. To learn more, please visit www.ruralhome.org. And to access housing data about your state or district, we have our recently released Rural Data Central.

HAC also serves as rural America's "Information Backbone" with leading public and private sector institutions relying on HAC's research and analysis to shape policy. We are independent, non-partisan and regularly respond to Congressional committees and Member offices with the research and information needed to make informed policy decisions. One such contribution is a rigorous and widely-recognized definition of Rural that HAC's research team has honed over decades, and has now been adopted by federal agencies at Federal Housing Finance Administration for programs.by the Federal Housing Finance Administration for the GSEs Duty to Serve obligations and by the Treasury Department's CDFI Fund for the Capital Magnet Fund program. If you need to know how a new program or policy could impact America's smallest towns, please don't hesitate to call on us. It is an honor to be here in this capacity today, on a panel with so many distinguished rural housing advocates.

If I were to summarize my testimony, it would be to say that there is a housing affordability crisis in rural America and we have the tools to address it if we work together to lower regulatory barriers and invest in proven, public private partnerships, while also recognizing the role of federal supports in housing markets that are experiencing market dysfunction. Without direction, the private market is not enough to address this mismatch in supply and demand. There has never been a society in the history of civilization that has been able to house all of its people through the private market alone – there has always been a public or social component to the housing market.

RURAL HOUSING LANDSCAPE IN 2025

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

Rural America represents 18 percent of America's population. It's one of the few parts of our economy that still has a trade surplus. Rural places launch over half of our small businesses, provide nearly all of the fiber and minerals for our industries, and produce nearly all of the renewable and fossil fuels that power our homes, cars, and infrastructure. Rural places hold 88 percent of our clean and renewable water, steward nearly all our natural lands, and manage many of the world's most popular outdoor recreation destinations. Despite these essential roles in the life and economy of the nation, rural places are being systematically starved of investment and opportunity.

With the continuing outmigration of working age residents, rural communities contain larger shares of older residents. Racial and ethnic diversity is also increasing in rural America, as it is throughout the country. These demographic drivers are important bellwethers of housing markets and demand. An older, less mobile, yet more diverse rural population will require housing options and solutions currently not available in many rural communities across the nation.

LOCAL CAPACITY AND ACCESS TO CAPITAL ARE THE KEYS TO RURAL HOUSING SUCCESS

Federal investment in capacity building launched almost every successful local and regional housing organization that we know today. However, very few of those local organizations are in rural regions. Fewer still work in areas of persistent rural poverty. The power of capacity building in rural communities cannot be overstated. Rural communities often have small and part-time local governments, inadequate philanthropic support and a shortage of the specialists needed to navigate the complexities of federal programs and modern housing finance. Targeted capacity building through training and technical assistance is how local organizations learn skills, tap information, and gain the wherewithal to do what they know needs to be done. Rural places need increased capacity building investment in order to compete for government and philanthropic resources. Without deeply embedded, high-capacity local organizations, available federal funding and other capital will never evenly flow to rural communities.

Additionally, in recent decades, many rural regions have been stripped of their economic engines, financial establishments and anchor institutions. Federal trade and anti-trust policy has contributed to this situation, conceding the consolidation of wealth, industry and employment opportunity mostly into metropolitan centers. The result is that rural America faces a dire lack of access to capital. And it is in these rural places where you can find the nation's deepest and most persistent poverty. Without access to financial services and capital, individuals cannot access safe credit and financial literacy resources, businesses cannot grow and serve the needs of their communities and ultimately the communities' economies cannot thrive. The banking industry has undergone considerable consolidation, with the number of lenders insured by the Federal Deposit Insurance Corporation (FDIC) dropping from approximately 15,000 in 1990 to fewer than 4,500 in 2025. There are around 150 rural counties that have one or no bank branches to serve their residents. Building access to capital in underserved rural regions is critical for the equity and long-term viability of rural communities.

AFFORDABILITY IS THE GREATEST HOUSING CHALLENGE IN RURAL AMERICA

Housing costs nominally tend to be lower in rural areas than within suburbs and cities. Despite these cost dynamics, an increasing number of rural households find it challenging to pay their monthly housing expenses. Over 5.6 million – or one quarter of rural households – pay more than 30 percent of their monthly income toward housing costs and are considered cost-burdened. The incidence of housing cost burden has increased markedly for rural households over the past few decades. Housing affordability problems are especially problematic for rural renters. A full 44 percent of rural renters are cost-burdened, and nearly half of these renters are paying more than 50 percent of their monthly income toward housing costs.[1] Almost 40 percent of cost-burdened rural households are renters – a much higher proportion than the overall housing stock.[2]

Housing affordability problems are not limited to rural renters. The majority of rural cost-burdened households are actually homeowners. Similar to national trends, home purchase prices have escalated unabated in many rural communities, making home purchase options largely unaffordable to many low- and moderate-income

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

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

rural Americans. Nationally, the average price of a new single-family home in the United States has skyrocketed over the past few years. According to the most recent Census Bureau and U.S. Department of Housing and Urban Development (HUD) reporting, the median sales price for a home sold in the United States in the first quarter of 2025 was $416,900.[3]

While median housing prices have increased nationally over the past 10 years, income growth in many rural communities has remained stagnant, also exacerbating the affordability challenges in rural markets.

WE ARE A NATION OF HOMEOWNERS – ESPECIALLY IN RURAL AMERICA

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

In 2020, 64.4 percent of U.S. homes were owner-occupied. This rate is lower than the 2010 homeownership level of 66.6 percent, but homeowner rates have consistently been above 60 percent since the 1960s. In rural and small-town communities, homeownership rates are even higher than the national level. Approximately 16.8 million, or 72 percent of occupied homes in rural communities are owned by their inhabitants. Consistent with national trends, homeownership rates declined slightly between 2010 and 2020.[4]

Rural America also has a higher level of "true homeownership." True homeownership describes homeowners who own their homes without a mortgage. This is often referred to as "free and clear" ownership. Nearly half of rural and small-town homeowners own their properties with no mortgage debt, compared to about 37 percent of all U.S. homeowners.[5] There are several reasons for the higher rate of true homeownership in rural and small town areas. These include the presence of manufactured homes and the age of the residents. Manufactured homes are often financed with personal property loans which have shorter loan terms than typical mortgages. In addition, the population in rural areas tends to be older than the nation as a whole and, as homeowners age, their mortgage debt typically decreases.

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[3] U.S. Census Bureau and U.S. Department of Housing and Urban Development, "Median Sales Price of Houses Sold for the United States [MSPUS]," FRED, Federal Reserve Bank of St. Louis, April 23, 2025, https://fred.stlouisfed.org/series/MSPUS.

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

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

RENTAL HOUSING IS ESSENTIAL TO HEALTHY COMMUNITIES, BUT OPTIONS ARE OFTEN LIMITED AND EXPENSIVE FOR RURAL RENTERS

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

About 28 percent of rural households (and the same proportion of suburban residents) rent their homes, compared to just over half (52 percent) in urban places. In keeping with the less dense nature of rural areas, rural renters are likely to live in much smaller buildings than their urban and suburban counterparts. Almost three-quarters (73 percent) of rural renters occupy detached single-family homes and less than 3 percent live in properties with 20 or more apartments. Rural renters are also far more likely to live in manufactured homes than are renters in other places: 13 percent compared to 5 percent in suburbs and 1 percent in cities.

Housing costs are a significant problem for rural renters, as they are for urban and suburban residents. More than 45 percent of renters in rural America (over 2.5 million households) pay more than 30 percent of their income for rent and utilities, and nearly half of those (1.2 million) pay more than 50 percent of their income for shelter. Cost-burden rates are even higher in rural census tracts where the majority of the population is Black or Hispanic. In Black-majority rural census tracts, 55 percent of renters pay more than 30 percent of income for housing, as do 47 percent in Hispanic-majority tracts.[6]

RURAL AMERICA IS LOSING AFFORDABLE RENTAL HOUSING AT AN ALARMING RATE

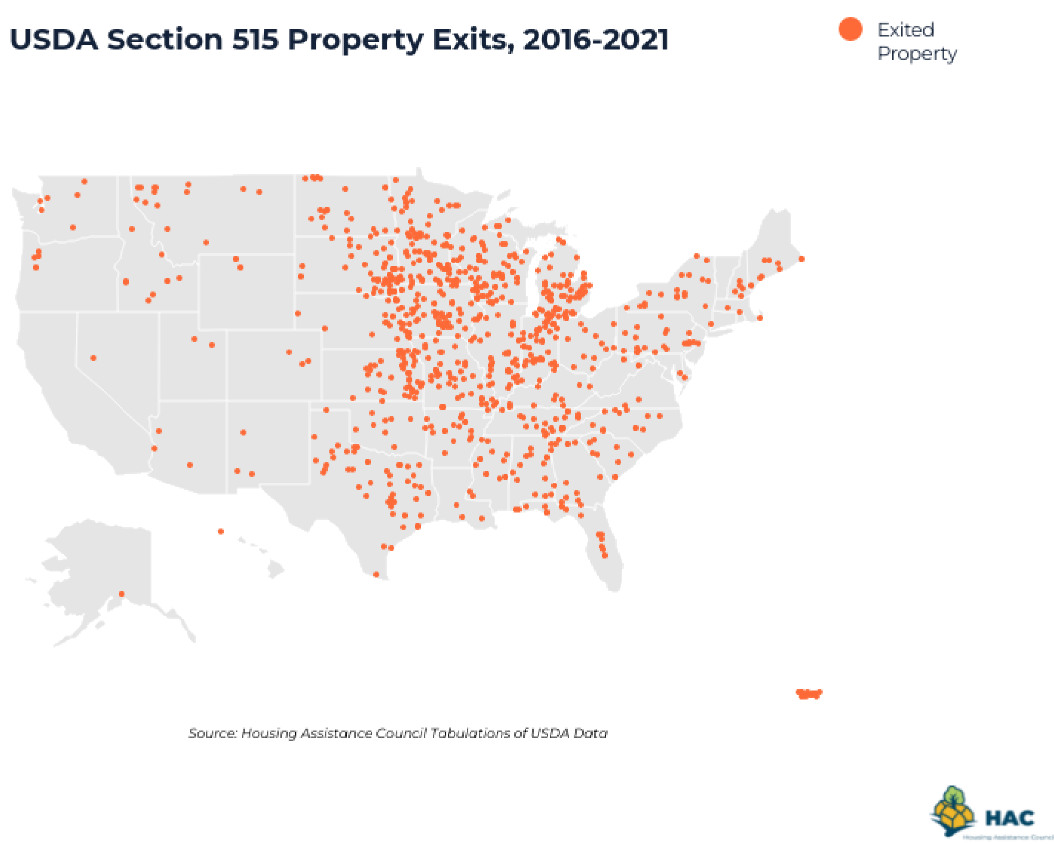
Rental properties financed by USDA Section 515 loans are an important source of rental housing in many rural communities. Since the program's inception in 1963, Section 515 Rural Rental Housing loans have financed nearly 28,000 rental properties containing over 533,000 affordable apartment homes across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

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

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

mature, projects and units will be removed from USDA's affordable rural housing program, placing very low income rural residents in jeopardy of untenable rent increases and possible eviction."[7]

HAC recently determined that from 2016 through mid-2021 maturing mortgages removed these properties from USDA's Section 515 portfolio slightly more slowly than previously predicted. Far more properties than expected, however, left the program for reasons unrelated to mortgage maturity. HAC identified 921 Section 515 properties that left the portfolio between 2016 and July 2021 – nearly three times more than USDA had projected for maturing mortgages alone during the five-year period.[8]



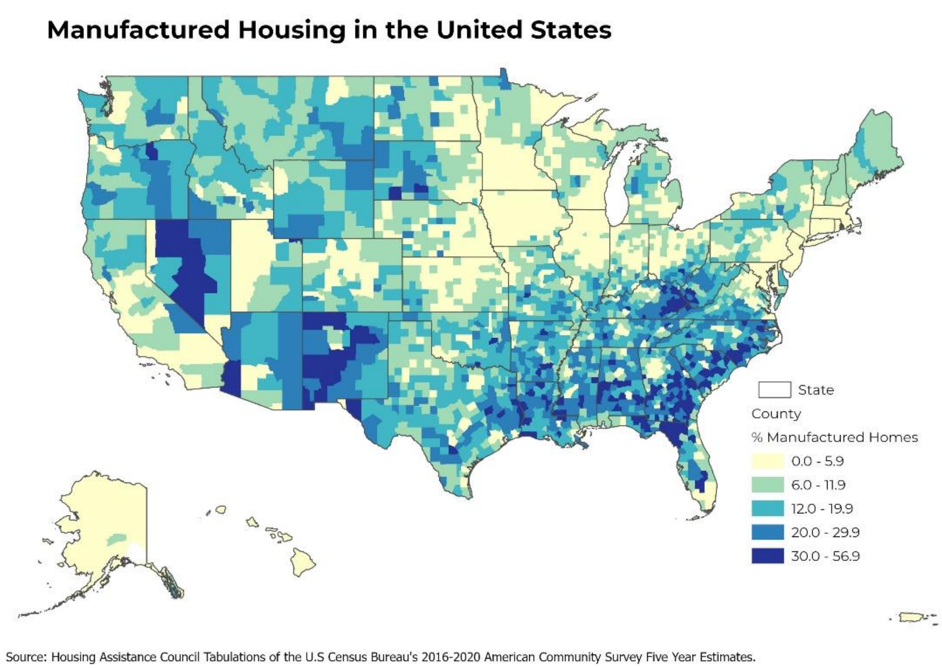
[7] Committee on Appropriations, U.S. Senate, *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill 2018, Report S. 115-131,* July 20, 2017, https://www.congress.gov/115/crpt/srpt131/CRPT-115srpt131.pdf.

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

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

MANUFACTURED HOUSING IS AN OFTEN OVERLOOKED BUT IMPORTANT SOURCE OF HOUSING IN RURAL AMERICA

There are approximately 6.7 million occupied manufactured homes in the United States, comprising about 6 percent of the nation's housing stock. More than half of all manufactured homes are located in rural areas around the country and manufactured homes make up 13 percent of all occupied homes in rural and small-town communities. Manufactured housing accounts for about 10 percent of all new single-family housing starts in the U.S.[9]



[9] Housing Assistance Council, *Rural Research Brief: Manufactured Housing in Rural America,* July 2020, https://ruralhome.org/wp-content/uploads/2021/05/Manufactured_Housing_RRB.pdf.

Living in manufactured homes is often characterized by unique financing and land tenure challenges. While the purchase price of manufactured homes can be relatively affordable, financing costs can be much greater than for conventional housing mortgages. The majority of manufactured homes are financed with personal property, or “chattel,” loans. These types of loans are more similar to automobile loans than to conventional mortgage loans and have their roots in the manufactured homes’ growth out of the travel trailer industry. With shorter terms and higher interest rates, personal property loans are generally less beneficial for consumers than conventional mortgage financing, putting vulnerable, low-income borrowers at risk. Approximately 66 percent of manufactured home loans in 2018 were classified as high cost (having a substantially high interest rate), which is more than five times the level of high-cost lending for all homes nationally. And for manufactured home loans secured by the manufactured home only (without land), that figure jumps to a staggering 90 percent high-cost loan rate.[10]

Land tenure status is another unique characteristic for many manufactured homes. Manufactured housing units are often located in land lease communities, where residents own their unit but pay rent to a landlord for the lot on which it is located. Though about three quarters of manufactured homes are owner-occupied, estimates suggest that approximately 40 percent of all manufactured homes are in land lease communities. There are around 45,000 of these communities across the nation.[11]

In addition to the longstanding challenges of high-cost financing and land tenure status, newer issues have also arisen such as the emergence of private equity investment in manufactured housing communities. These investments can be among the most profitable in the already-hot real estate sector, but they often come at the expense of residents in the communities being purchased. Private equity investors purchase manufactured housing communities and profit by increasing lot rents for residents, often significantly. This practice can lead to reduced affordability, eviction, or displacement for these families – even when they own the unit itself. There is little federal or local regulation to prevent this practice, and nearly no public funding to counter this growing issue.

RURAL HOMELESSNESS IS GROWING, AND IS OFTEN OVERLOOKED

Homelessness often looks different in rural communities than it does in more urban areas, where more supportive services are available. In rural places, people experiencing homelessness tend to live in vehicles, couch surf, or live in severely overcrowded situations, and are thus undercounted in federal homelessness estimates. Even so, rural homelessness is growing faster than the national average, and has skyrocketed by 32 percent over the last three point-in-time counts. HAC

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[10] Housing Assistance Council tabulations of Consumer Financial Protection Bureau 2018 Home Mortgage Disclosure Act data.

[11] HAC, *Manufactured Housing*.

supports increased rural tailored, flexible resources to address homelessness. Additionally, while homelessness is fundamentally an issue of housing affordability, for many it co-occurs with substance use disorders, mental health struggles, and chronic health conditions which themselves become barriers to obtaining and maintaining stable housing. Rural communities need increased and customized funding to provide essential, evidence-based support services and treatment for residents facing these additional challenges.

PERSISTENT POVERTY IS A PREDOMINANTLY RURAL CONDITION

The issue of poverty is complex, but it is much more than an abstract condition for the over 37 million Americans who face daily struggles with food insecurity, access to health care, and search for basic shelter. Poverty is often imagined as an urban issue in the national discourse, but some of the country's deepest and most persistent poverty can be found in rural areas. Identified as "Persistent Poverty Counties," these communities are generally rural, isolated geographically, lack resources and economic opportunities, and suffer from decades of disinvestment and double-digit poverty rates.

Persistently poor counties are classified as having poverty rates of 20 percent or more for three consecutive decades. Using this metric, the Housing Assistance Council estimates there were 377 persistently poor counties in 2020.[12] For the first time, HAC also calculated persistent poverty status for Puerto Rico. All 78 of Puerto Rico's municipios (county equivalents) were classified as having persistent poverty status as of the 2020 data. With the island territory included, there are a total of 455 Persistent Poverty Counties.[13]

One of the consistent features of many Persistent Poverty Counties is their clustering within several rural geographic regions that have a large footprint over the United States. Persistent Poverty Counties make up one-tenth of all U.S. counties, or county equivalents, and 15 percent of the U.S. landmass. They are concentrated in rural regions, including the Mississippi Delta or Black Belt, central Appalachia, and Native lands. Sixty percent of people living in Persistent Poverty Counties are people of color and 42 percent of Persistent Poverty Counties have majority populations of color.[14]

One highly visible impact of this economic distress can be seen in these areas' housing conditions. The incidence of housing units lacking adequate plumbing is twice the national rate, and over 380,000 households in Persistent Poverty Counties live in crowded conditions. Additionally, while housing costs are relatively low in

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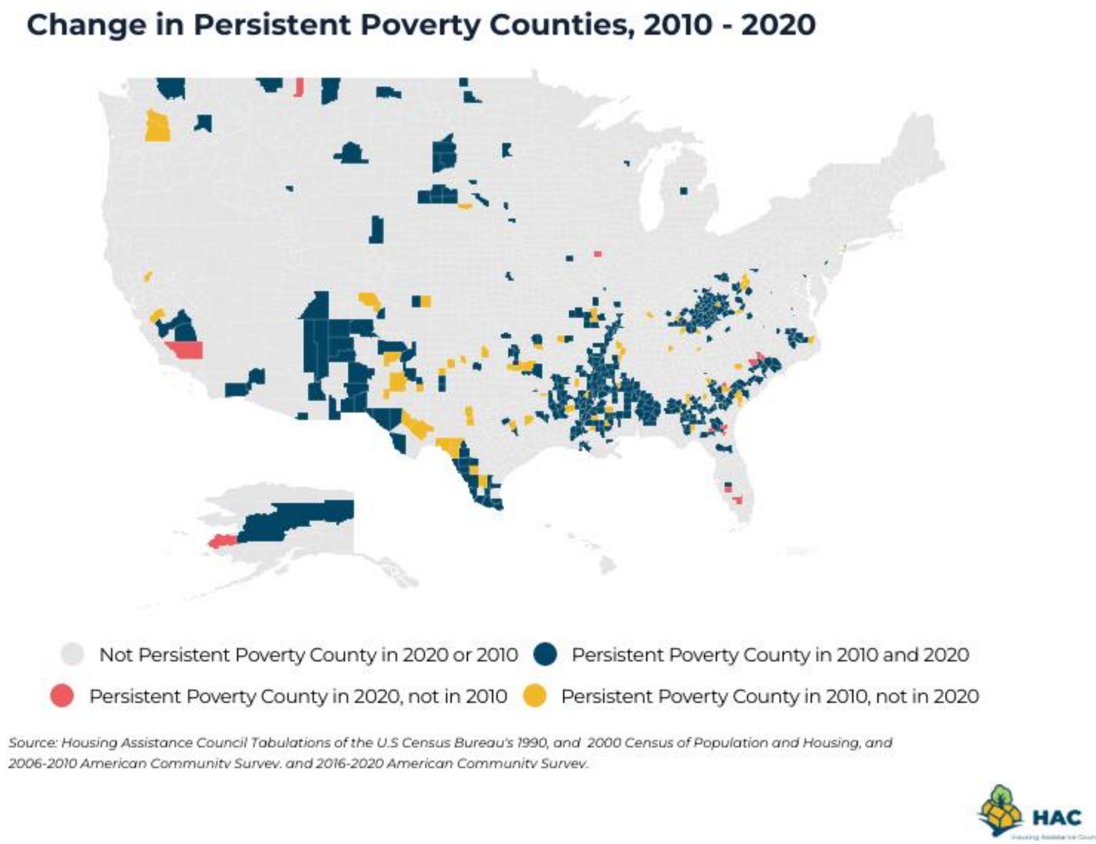
[12] Housing Assistance Council, *Rural Research Brief, The Persistence of Poverty in Rural America,* April 2022, https://ruralhome.org/wp-content/uploads/2022/04/rural-research-brief-persistent-poverty-2021.pdf.
[13] HAC, *The Persistence of Poverty.*
[14] "Persistent Poverty in America," Partners for Rural Transformation, accessed November 9, 2022, https://www.ruraltransformation.org/persistent-poverty/.

many of these communities, more than half of Persistent Poverty County renters encounter affordability problems and are considered housing cost-burdened (defined as paying more than 30 percent of income in rent).[15]



Mortgage and housing finance are similarly unbalanced in persistently poor communities. Mortgage activity including applications and loan originations are substantially low in many Persistent Poverty Counties. Likewise, more than one-quarter of mortgage applications were denied in these communities – more than six percentage points higher than the national rate. And when loans are made in persistently poor communities, they tend to have higher interest rates. The level of

[15] Housing Assistance Council tabulations of the U.S. Census Bureau's 2016-2020 American Community Survey 5-Year Estimates and Consumer Financial Protection Bureau 2021 Home Mortgage Disclosure Act data.

"high-cost mortgages"[16] in these counties is two-thirds higher than the rate for all mortgage loans in the United States.[17]

POLICY RECOMMENDATIONS

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

At the same time as rural communities face challenges related to housing conditions and poverty, they often struggle to access federal tax and spending subsidies. Distribution of the nation's largest housing subsidy, the mortgage interest deduction, is skewed toward metropolitan areas. And many federal formula grants make direct allocations to cities and larger suburbs but force rural communities to go through bureaucratic hoops – and in many instances compete with other rural communities – because state government controls "balance of state" formula funding. This is fundamentally a question of equity, which is why HAC has consistently urged Congress and the federal bureaucracy to take geographic equity into account in all federal policy and funding decisions.[18]

The recommendations below outline policy reforms Congress can undertake that can help provide rural communities the resources they need to address their housing needs and determine their own economic destinies.

THE RURAL HOUSING SERVICE REFORM ACT

Over the last several years, significant bipartisan effort that has gone into the Rural Housing Service Reform Act (S. 1260 & included in this hearing as a discussion draft). This bill makes commonsense improvements to critical RHS programs, authorizes and builds on the success of pilot programs and demonstrations, and offers a host of

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[16] A higher-priced mortgage loan is defined by the Consumer Financial Protection Bureau's regulations as a consumer credit transaction secured by the consumer's principal dwelling with an annual percentage rate that exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set by 1.5 or more percentage points for loans secured by a first lien on a dwelling, or by 3.5 or more percentage points for loans secured by a subordinate lien on a dwelling. "Requirements for Higher-Priced Mortgage Loans," 12 CFR §1026.35, CFPB, https://www.consumerfinance.gov/rules-policy/regulations/1026/35/.

[17] Housing Assistance Council tabulations of Consumer Financial Protection Bureau 2021 Home Mortgage Disclosure Act data.

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

provisions that are ripe for consideration and passage. In brief, the bill would make the following program modernizations.

Authorize Key Multifamily Preservation Programs

Several of the current USDA preservation programs are funded through appropriations but are not authorized. This bill would change that by authorizing the Multifamily Preservation and Revitalization (MPR) program and the Multifamily Preservation Technical Assistance (MFTA) program. Authorizing these two successful programs is a critical step in ensuring they are stably funded into the future.

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

To help address the growing crisis of multifamily maturing mortgages, the MFTA program was first funded through Congressional appropriations in FY2017. The program provides competitive grants to eligible nonprofit organizations and public housing authorities (PHAs) to provide technical assistance and other services to enable affordable housing preservation through the transfer of Section 515 properties from current owners to nonprofits or PHAs.

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

Improve Opportunities for Mission-Focused Nonprofits to Preserve Maturing Properties

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

This bill would cut that red tape by allowing nonprofit transfers to move forward before funds for rehabilitation are identified, as long as the nonprofit purchaser makes a commitment to address rehabilitation needs during ownership and accepts long-term use restrictions on the property.

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

Decouple Rental Assistance from Maturing Section 515 Mortgages
Under current law, the availability of Section 521 Rental Assistance to residents of a Section 515 or 514/516 property is tied to the term of the mortgage. When the mortgage is paid off, the property loses its Rental Assistance. This bill would allow for the mortgage and rental assistance to be decoupled if the Secretary determines that a maturing loan for a project cannot reasonably be restructured or otherwise preserved. Long-term affordability of the decoupled properties would be ensured through a 10-20 year Rental Assistance contract (subject to annual appropriations). This concept has been successfully piloted through appropriations in FY24 and FY25. Decoupling the rental assistance allows the properties to more competitively seek additional capital investments from private banks, CDFIs and others. This is a prime example of a public-private partnership at work, and has been successfully modeled at HUD through the Rental Assistance Demonstration (RAD).

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

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

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

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

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

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

Increase Use of the Section 502 Direct Loan Program on Native Lands
The Section 502 direct loan program is USDA's flagship homeownership program and is covered in greater detail in the "Additional Affordable Rural Housing Priorities" section at the end of this testimony. However, Section 502 direct has not equitably served Indian Country, especially as USDA staff capacity in the field has decreased. For instance, in FY2019, of the 6,194 direct loans made nationally under RHS's Section 502 direct loan program, 127 were to Native American borrowers but only six of them were for homes on tribal land. This bill would help address this issue by making Native CDFIs eligible borrowers under the Section 502 direct loan program and enabling them to relend to qualified families for the construction, acquisition, and rehabilitation of affordable housing on trust land. This provision stems from a successful 2018 pilot program in South Dakota, and has been piloted through appropriations for the last several years.

Allow for Longer Loan Terms, In-Home Childcare and ADUs in the Section 502 Direct Loan Program
The RHS Reform Act would also allow USDA to modify Section 502 direct loans for terms of up to 40 years, matching USDA's existing authority for guaranteed loans. It would also allow for properties with existing accessory dwelling units (ADUs) to be eligible for the Section 502 guarantee program and clarify that homeowners with a Section 502 guarantee loan can operate in-home childcare centers.

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

Aging housing stock is a significant challenge for many rural areas, and homeowners are often older and on fixed incomes, making home repair a challenge. The RHS’s Section 504 Single-Family Repair Loans and Grants program provides direct loan and/or grant funds for home repair to very low-income applicants who do not qualify for conventional bank financing. This bill would increase the size of a Section 504 loan for which a mortgage is required. The current threshold of $7,500 was set 23 years ago, in 2000, and has never been adjusted for inflation. A promissory note would be appropriate security for loans under $15,000, and this bill includes that important update.

ADDITIONAL RURAL AFFORDABLE HOUSING PRIORITIES

Support Existing Rural Capacity Building Investments That Have Proven Impact
As highlighted throughout this testimony, a lack of local capacity in rural places can significantly disadvantage these places when developing a plan to address local housing needs and competing for oversubscribed federal resources. There are several key federal investments that, with incredibly modest funding, have outsized impact in building rural capacity. The Rural Capacity Building (RCB) program at HUD and the Rural Community Development Initiative (RDCI) at USDA both invest in technical assistance and training for small rural groups, local governments, and tribes. At the CDFI Fund, the financial assistance and technical assistance awards also play a major role in building rural financial services capacity and access to capital. All of these resource should be maintained and targeted to the most underserved rural places.

Fully Fund the Self-Help Homeownership Opportunity Program (SHOP)
Since its beginnings in 1996, HUD’s Self-Help Homeownership Opportunity Program (SHOP) has leveraged $4 billion in outside funding and helped create more than 35,000 homes, half of which are in rural areas. SHOP helps hardworking low- and moderate-income families achieve homeownership through sweat equity. These families do not just complete the program with a new home. The at least 100 hours they worked building their home (though many families invest more than 500 hours) equip them with the ability to better maintain their homes and with valuable, employable skills. SHOP funds pay for land and infrastructure costs, which are often some of the most difficult items for local nonprofits to finance. By increasing funding for SHOP, Congress would help thousands more rural families build a better future, one nail at a time.

Fully Fund the Section 502 Direct Loan Program
USDA’s flagship Section 502 direct loan program empowers low- and very low-income rural residents to purchase homes with affordable mortgages at fixed rates as low as 1 percent and no down payment is required. Because inability to qualify for market-rate credit elsewhere is a precondition for obtaining a Section 502 direct loan, the program’s borrowers are homebuyers who could not otherwise access homeownership if Section 502 loans were not available. Over two million families

have become homeowners since 1950 through the Section 502 direct program. Importantly, this is a loan program, not a giveaway; the funds are repaid to USDA, with interest. Increased funding for the Section 502 direct loan program would help more low- and very low-income rural households achieve homeownership while building a history of successful borrowing.

Increase Access to Credit and Capital in Rural Communities Through the Community Reinvestment Act (CRA) and GSE Duty To Serve (DTS) Plans
Without access to financial services and capital, individuals cannot access safe credit and financial literacy resources, businesses cannot grow and serve the needs of their communities, and ultimately the communities' economies cannot thrive. Unfortunately, there are around 150 rural counties that have one or no bank branches to serve their residents. Building access to capital in underserved rural regions is not just critical for the long-term viability of rural communities. It is the foundation of building a robust system of homeownership across rural America. Congress should work with bank regulators and the Federal Housing Finance Administration to ensure that bank lending and investments under CRA and the Government Sponsored Enterprises' (Fannie Mae and Freddie Mac) activities under their DTS plans become more responsive to the needs of rural communities.

Enact the Neighborhoods Homes Investment Act
As noted, relative to urban and suburban markets, homeownership is more common in rural communities. And single-family homes are typically the predominate form of housing used. Across much of rural America, communities struggle to retain or attract growing businesses in the absence of high quality, affordable homeownership opportunities for workers. The private sector alone, however, is unable to revitalize single-family homes that are in poor condition in many of these markets because the cost of rehabilitating them or building new homes exceeds their market value – a challenge known as the "appraisal" or "value" gap. No current government tax or spending subsidy is specifically designed to fill this gap.

The bipartisan Neighborhood Homes Investment Act (NHIA) (H.R. 2854) would address this issue by establishing a tax credit carefully targeted to include low-income rural communities with elevated poverty and low home values. Approximately 27 percent of nonmetro census tracts would be automatically eligible, with additional flexibility for certain other nonmetro census tracts. If enacted, the NHIA is projected to produce 500,000 homes over 10 years, generating $150 billion in development activity, over 1 million jobs, $100 billion in wages and business income, and $45 billion in tax revenue.[19]

[19] *Neighborhood Homes Investment Act* (Washington, DC: Neighborhood Homes Coalition, March 9, 2022), https://static1.squarespace.com/static/589b48fbe3df28f7ed63b31b/t/622909ff205750275598eb8d/1646856704390/NHIA%2BSummary%2BMarch%2B2022.pdf.

The NHIA is well-designed to meet the needs of rural communities. This tax credit is flexible – usable to build new homes, to acquire and rehabilitate homes for sale, and to rehabilitate homes for current homeowners. It can be used for detached homes, townhomes, two- to four-unit homes, condominiums, and cooperatives. Manufactured homes are eligible, provided they are permanently attached to a foundation and are titled as real property. Thus, it aligns with the housing types and scale of development most common in rural communities.

The credit is also structured to avoid abuse or unintended negative consequences. A minimum level of rehabilitation prevents merely superficial improvements. Finally, to prevent revitalization from tipping into rapid gentrification, sale prices would be limited to ensure broad affordability and high-income and high-income buyers would be excluded.

Enact the Affordable Housing Tax Credit Improvement Act (AHCIA)
The Low-Income Housing Tax Credit (LIHTC) program is the nation's most successful tool for creating and preserving affordable housing. Often deployed in conjunction with other housing subsidies administered by USDA and HUD, state, and local governments, it is responsible for the majority of production and preservation of rental housing dedicated to low-income households in the United States.

LIHTC's contribution to affordable housing production and preservation in rural communities has been essential.[20] HAC estimates that of the over 13,000 properties that received LIHTC allocations from 2006 to 2016, over one quarter were located in census tracts defined by the Federal Housing Finance Agency (FHFA) as rural. Notably, rural LIHTC properties were substantially smaller (44 units versus 88 units on average) and served a poorer population (94 percent low-income versus 86 percent low-income) than non-rural properties.

Unfortunately, the program is vastly oversubscribed, with states able to fund only about one in three qualified applications for 9 percent credits, which have not received a permanent boost in authority in over two decades.[21] The bipartisan Affordable Housing Improvement Act (H.R. 2725 & S.1515) would dramatically expand and improve this already highly successful subsidy.

The AHCIA includes several provisions that would be especially helpful to deployment of housing credits in rural communities. Most importantly, rural and

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[20] Andrew M. Dumont, "Rural Affordable Rental Housing: Quantifying Need, Reviewing Recent Federal Support, and Assessing the Use of Low Income Housing Tax Credits in Rural Areas," Finance and Economics Discussion Series 2018-077 (Washington, DC: Board of Governors of the Federal Reserve System, 2018), https://doi.org/10.17016/FEDS.2018.077.
[21] *Detailed Bill Summary: The Affordable Housing Credit Improvement Act* (Washington, DC: The ACTION Campaign, September 2021), https://rentalhousingaction.org/wp-content/uploads/2021/10/AHCIA-Detailed-Bill-Summary-September-2021.pdf.

Native areas would be added to the definition of Difficult Development Areas, thus allowing states to provide up to a 30 percent basis boost to rural properties if needed for financial feasibility. This provision was recently included in the One Big Beautiful Bill Act (H.R. 1).

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

First and foremost, a well-trained, experienced, and community-focused workforce is essential to RHS best supporting rural communities. Current staffing shortages, especially as an enormous part of the workforce has left or been let go in the last several months, have real implications for organizations and individuals trying to work with RHS programs.

CONCLUSION

We are a stronger and more cohesive nation when all of us are productive – when all of us have the basic necessities to contribute to the success of the whole. Core investments and available capital that outlast appropriations cycles and philanthropic whims will allow rural communities to do their part for the broader economy. Housing and finance reforms that hold competition over consolidation will give our heartland the stability to reconnect with the nation that has in many ways – both real and perceived – left them behind. A vibrant, prosperous rural America is an essential part of our nation’s continued success.

Thank you again for the opportunity to testify today, and I look forward to working with the Subcommittee to tackle our nation’s rural housing challenges.