



**TESTIMONY BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE'S
SUBCOMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT, AND INSURANCE
OF THE UNITED STATES CONGRESS**

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Introduction

Chair Clay, Ranking Member Duffy, and members of the Subcommittee:

My name is Andy Saavedra and I'm a Senior Program Officer with the Local Initiatives Support Corporation's (LISC) Rural LISC program. Established in 1979, LISC is a national nonprofit housing and community development organization that is dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations with loans, grants and equity investments; as well as technical and management assistance. Our organization has a nationwide footprint, with local offices in 33 cities. LISC invests approximately \$1.4 billion each year in these communities and our work covers a wide range of activities, including housing, economic development, building family wealth and incomes, education, and creating healthy communities.

In 1995, LISC launched Rural LISC, a national program created to expand LISC's reach beyond urban areas to include rural communities. Today, Rural LISC partners with 87 rural community-based organizations, including five financial intermediaries, helping each organization identify challenges and opportunities, and delivering the most appropriate support to meet those local needs. Together, Rural LISC is transforming communities in more than 2,000 counties across 44 states.

Thank you for the opportunity to testify today on affordable rural housing. I have spent my entire career supporting nonprofit affordable housing organizations working to improve rural housing conditions for the poor, including serving as Housing and Community Development Director at a community development corporation in rural Louisiana. I have seen firsthand the housing challenges and opportunities that exist in rural America and how nonprofit organizations can improve the lives of low-income residents and rural communities.

Rural America's Housing and Economic Landscape

We know from our work, and the data confirms, that rural America experiences distinct economic and housing characteristics from the rest of the United States. On the economic front, rural America has not experienced population or economic growth at the rate of the national average and many persistently poor rural areas have experienced outmigration and population decline for decades¹. In fact, 85 percent of persistently poor communities (those with 20 percent of the population being at or below the poverty level for three decades) are in rural areas, with geographic concentrations in Central Appalachia, Mississippi Delta, border Colonias, Native American lands, and southeastern communities². Rural America is often challenged by undiversified local economies that are disproportionately impacted when one larger employer leaves a community or when commodity and extractive resource prices decline. In addition, rural America tends to have older populations than the country as a whole. While rural areas make up around 15 percent of the total population, they are home to more than 25 percent of the nation's seniors³. Communities with a disproportionate number of older adults often have challenges providing necessary services since these populations are more likely to be on fixed incomes and have special needs.

These economic realities create distinct housing needs in rural areas, especially low-income rural communities. In 2016, nearly half (48 percent) of the more than 5 million renters living in rural areas also had incomes under \$25,000⁴. And while rural communities may generally be more affordable than metro areas, with median housing costs of \$650 per month, the low median incomes result in more than a quarter of all rural residents being housing-cost burdened⁵. Rural renters experience higher housing-cost burden rates than rural homeowners, with more than 43 percent of rural renters living in single-family homes. Housing in rural America is distinguished in other ways, including by higher rates of homeownership (72 percent vs national average of 64 percent); higher proportion of manufactured housing; an older rental housing stock which is more likely to have housing problems than urban areas (35 percent of rural rental housing was built before 1960); and specific local needs such as high overcrowding rates in many Native American communities⁶.

Importance of Federal Housing Assistance Programs and the Role of Nonprofit Organizations

The federal government has operated housing assistance programs that benefit low-income rural people and communities for more than 80 years. These programs have helped produced high quality single family and rental housing, although they have received limited resources in recent years. For instance, the U.S. Department of Agriculture (USDA) Rural Housing Service has funded the creation of 533,000 affordable rural rental housing units since the inception of the Section 515 Rural Rental Housing Direct Loan program and there are around 417,000 units of this housing remaining, which are located in over 87 percent of all U.S. counties. More than 80 percent of these tenants receive federal rental assistance to make the rent affordable, with almost two-thirds funded through USDA's Section 521 Rental Assistance program.

¹ *Taking Stock*, Housing Assistance Council, 2012.

² *Rental Housing for a 21st Century Rural America: A Platform for Production*, Urban Institute, 2018.

³ *The Future of Rural Housing*, Urban Institute, 2016.

⁴ *The State of the Nation's Housing 2018*, Joint Center for Housing Studies of Harvard University.

⁵ Ibid.

⁶ *Rental Housing for a 21st Century Rural America: A Platform for Production*, Urban Institute, 2018.

USDA also administers other important affordable housing programs, including single-family direct loan and guarantee programs, rental housing vouchers, self-help housing assistance, home repair loan and grant programs, and capacity building resources for nonprofit organizations working on some of the most challenging affordable housing issues in the country. I'll go over how LISC utilizes each of these with our partners in a moment although want to first highlight the important work of rural community-based organizations.

LISC has worked with community-based organizations since our inception, it's what we were founded to support, and we have seen firsthand how these organizations can rebuild communities when they have sufficient capacity and resources. Two of the most important federal capacity building tools are the USDA Rural Community Development Initiative (RCDI) and the U.S. Department of Housing and Urban Development's (HUD) Section 4 Capacity Building for Community Development and Affordable Housing (Section 4) program. RCDI and Section 4 awards help nonprofit housing and community development organizations further their affordable housing and community development projects. For example, Lakes Region Community Developers of Laconia, New Hampshire used HUD Section 4 to build their capacity to develop Gilford Village Knolls III, an affordable senior rental housing development, which is the first multifamily building in New Hampshire to be Passive House certified for energy efficiency. Tunica County Community Development Coalition used RCDI funds to help develop the Cypress Manor subdivision in Tunica, Mississippi, providing affordable homeownership for families in the Delta region. Groups like these are often the only groups in rural communities working to improve housing conditions and modest capacity building investments from the federal government can achieve transformational results.

HUD and U.S. Department of the Treasury also administer other important affordable housing and community development programs benefitting low-income rural communities. For instance, HUD provides flexible housing and community development support through the Community Development Block Grant and HOME programs. In addition, there are many public housing and HUD financed and assisted properties in rural communities. Treasury administers the low-income housing tax credit (LIHTC), which is the largest rental housing finance subsidy source. Around 22 percent of all existing LIHTC financed projects are in rural communities⁷. Lastly, Treasury's Community Development Financial Institutions (CDFI) Fund administers important programs for nonprofit housing developers and mission based lenders, including the Capital Magnet Fund, which provides resources for the production and preservation of affordable single family and rental housing.

It's important to note that federal housing and community development programs are greatly under resourced and do not receive sufficient support to meet demand. Only one in four eligible households receives federal housing assistance and there has been a general decline in federal resources for this work for decades. The lack of sufficient assistance results in many low-income residents being housing cost burdened, forced to live in substandard or overcrowded housing, or required to make difficult choices on how to pay for other necessities such as food, health care, and transportation.

Rural Rental Housing Preservation

⁷ *Rental Housing for a 21st Century Rural America: A Platform for Production*, Urban Institute, 2018.

As I mentioned earlier, there are around 417,000 units of Section 515 funded rental housing left in the country. These 13,000 properties house some of the most vulnerable residents in the country, with the majority of tenants being older adults or persons with disabilities. The average annual income of a tenant is only \$13,600 and many live on fixed incomes⁸. As you've heard from the other panelists, there has been a continued loss of these units as the stock has aged and loans have been prepaid or matured. LISC has helped preserve Section 515 housing and understands the complexity of closing these transactions. An example of this is in Garrett County, Maryland where Garrett County Community Action Committee developed the Meadows. The Meadows project included renovating two aging Section 515 elderly rental housing properties along with new construction, to provide 90 units of affordable housing for seniors. Rural LISC first assisted Garrett County Community Action Committee with capacity building support from HUD Section 4, then predevelopment dollars to determine project feasibility, and finally leveraged construction and permanent financing with a local bank (First United Bank & Trust). The project also included equity from low-income housing tax credits by our subsidiary, the National Equity Fund, support from the state of Maryland and of course, USDA Rural Housing Service.

There is a great need to develop legislative solutions to improve rural affordable housing conditions and help USDA address Section 515 preservation challenges. LISC supports Representative Clay's legislation, which would direct USDA to submit a plan for preserving their rural rental housing stock, create an advisory committee to inform the Department on rural preservation, and provide the public needed data on the characteristics of the portfolio. This data will help LISC and other stakeholders better identify preservation opportunities and inform future legislative and policy recommendations around this important issue. We also support Congressman Panetta's legislation to align USDA's farmworker housing programs with the low-income housing tax credit, amongst other important reforms.

LISC supports Representative Gonzalez's proposal to include the Section 542 voucher program as a covered program under the Violence Against Women Act and proposals to broaden voucher assistance to tenants in properties with maturing USDA mortgages. These bills provide sorely needed tenant protections. We also support proposals to test out new models for preserving USDA rental housing and believe USDA should receive additional resources for existing programs that help preserve USDA financed rental housing, including the Section 515 and Multifamily Preservation and Revitalization programs.

Rural Single Family Housing and Mutual Self-Help

LISC's involvement with USDA's single-family housing loan and grant programs has focused mostly on the Section 502 Single-Family Housing Direct Home Loan program, Section 523 Self-Help Technical Assistance program, and USDA's single-family home rehabilitation and repair programs. Rural LISC works with Section 523 self-help housing organizations throughout rural America and the Section 502 Single-Family Housing Direct Home Loan program is a valuable source of permanent mortgage financing for organized mutual self-help housing participants. In fact, most self-help housing beneficiaries utilize USDA's Single-Family Direct Home Loan program for this purpose. The program also supports mortgages for low- and moderate-income families not using the organized self-help housing model and is an essential resource for

⁸ *Rental Housing for a 21st Century Rural America: A Platform for Preservation*, Housing Assistance Council, 2018.

supporting affordable homeownership options for low-income individuals in rural communities. It also helps increase asset building opportunities for low-income persons who are unable to qualify for conventional home mortgage financing. These programs have delivered results, with more than 50,000 families receiving homes through the self-help housing program and more than 7,000 loans being financed annually through the Section 502 Single-Family Direct Home Loan program.

I'd like to provide an example of how LISC and our community-based partners have used these resources. Self-Help Homes is a Rural LISC partner based in Provo, Utah. It used the Section 502 Single Family Housing Direct and Mutual Self-Help Programs to develop 81 units of single-family housing in 2018 across the state, helping families build their own homes in Heber, Salem, Payson and Toquerville, Utah.

Our Work in Native American Communities

Affordable housing needs on Native American lands are some of the most severe in the country and the toughest to solve. There are more than 500 federally recognized Native American tribes and Alaska Native Villages throughout the country and many, although not all, have defined reservation land. Many of these communities are located in rural areas and experience housing challenges, including higher rates of overcrowding than the country as a whole⁹. Financing housing is challenging in Native American communities due to land trust and title issues which inhibit private financing. This leads to a greater reliance on federal housing programs, including HUD's Native American Housing Assistance and Self Determination Act programs and Section 184 loan guarantee program along with USDA's Section 502 Single Family Housing Direct Loan program.

In 2018, USDA announced a Section 502 relending pilot program to help families living on tribal lands in South Dakota and North Dakota receive a home mortgage. The pilot is designed to overcome some of the current barriers with using the Section 502 Single Family Housing Direct Loan program on tribal lands. The program is administered through Mazaska Owecaso Otipi Financial and Four Bands Community Funds, two CDFIs in South Dakota. Each are eligible lenders under Section 502 and received \$800,000 in USDA funding, with another \$200,000 coming from outside resources. LISC is working to provide that funding. These CDFIs have close relationships with their community members and this pilot will allow these organizations to test out the efficacy of a relending model in Native communities.

Conclusion

LISC's 40-year history of supporting affordable housing work in rural communities has shown us that progress can be made when the federal government provides necessary resources. We urge Congress to adequately fund and support USDA, HUD, and Treasury programs, which improve housing conditions in rural areas, and to support programs that build the capacity of nonprofit housing organizations serving these communities. Thank you for the opportunity to testify before the Committee, and I look forward to working with you and your staff on ways to improve housing conditions in rural America.

⁹ *Taking Stock*, Housing Assistance Council, 2012.