HOUSING ASSISTANCE COUNCIL

2021 RURAL HOUSING POLICY PRIORITIES

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Building the capacity of local affordable housing and community development organizations deeply rooted in rural places;

Expanding access to credit and safe, affordable lending in underserved rural communities;

Improving the overall quality, availability and affordability of housing to buy and rent in small towns and rural places; and

Preserving, increasing and tailoring resources for federal affordable housing programs serving rural populations.

For nearly 50 years, the Housing Assistance Council (HAC) has been the voice for the poorest of the poor in the most rural places. Our deeply rooted work in communities across the country informs our research and drives our policy positions. Our independent and non-partisan work with members of Congress, federal agencies, affordable housing and community development organizations, and other stakeholders ensures the most vulnerable rural populations – especially those in high-needs regions like the Mississippi Delta, rural Appalachia, farmworker communities, the Southwest border colonias and Indian Country – have improved access to safe and affordable housing opportunities.

Rural America is home to about 20 percent of the U.S. population and covers more than 90 percent of the U.S. landmass. Its small towns and rural regions are diverse demographically and economically, and face a wide array of local challenges and opportunities for developing their communities and housing. While each place is unique, HAC has documented several themes. Persistent poverty is a predominantly rural condition. Habitable rural housing is in severely short supply. The adequate housing that does exist is often unaffordable because rural incomes are low and run well below the national median. Rural housing lacks adequate plumbing and kitchen facilities at a rate above the national average. Overcrowding is not uncommon in some rural regions. Decades of stagnant rural house prices have denied owners the wealth and mobility so often associated with buying a home. And racial inequity is endemic as the result of housing policies and banking practices that excluded rural people of color. Complicating these challenges, a lack of reliable rural data obscures rural realities.

In addressing these issues, HAC’s policy priorities include:

1. Building the capacity of local affordable housing and community development organizations deeply rooted in rural places;
2. Expanding access to credit and safe, affordable lending in underserved rural communities;
3. Improving the overall quality, availability and affordability of housing to buy and rent in small towns and rural places; and
4. Preserving, increasing and tailoring resources for federal affordable housing programs serving rural populations.

2021 Policy Priorities

1: CAPACITY BUILDING

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. Federal investment in capacity building launched almost every successful local and regional housing organization that we know today. 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.

RCB and RCDI

The Rural Capacity Building (RCB) Program at the U.S. Department of Housing and Urban Development (HUD) and the Rural Community Development Initiative (RCDI) at the U.S. Department of Agriculture (USDA) are two critically important capacity building programs that focus specifically on rural areas. These programs provide local organizations with the training and technical assistance they need to serve their communities effectively. HAC supports increased funding for RCB and RCDI, and the authorization of a national rural housing intermediary.

Creative Placemaking

Arts and locally-led design efforts are powerful drivers of economic resilience and growth for underserved rural and tribal places, especially those that have experienced a loss of economic diversity and have historically been victims of extractive industries. The Citizens’ Institute on Rural Design™ (CIRD) is a leadership initiative of the National Endowment for the Arts, which seeks to enhance the quality of life and economic viability of rural America through planning, design and creative placemaking. HAC supports continued federal funding for CIRD and for rural arts, design and creative placemaking.
2: ACCESS TO CAPITAL

In recent decades, many rural regions have been stripped of their economic engines, financial establishments and anchor institutions. Added to the shortage of federal and philanthropic investment, 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 just over 5,000 in 2019. 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 long-term viability of rural communities.

Community Development Financial Institutions
Community development financial institutions (CDFIs) are private, mission-focused financial institutions that offer responsible, affordable lending to low-income, unbanked and underserved people and communities. For more than 30 years, CDFIs have had a proven track record of making an impact in the most high-needs rural regions. As banks have consolidated and pulled back from serving the deepest pockets of poverty, CDFIs have stepped into the breach and are working in rural regions and tribal areas across the country to address the financial services needs of otherwise unbanked communities. HAC supports increased funding for the CDFI Fund and tailoring of CDFI Fund programs to better target rural needs.

Duty to Serve
Small financial institutions in rural areas often struggle to find access to the secondary mortgage market and as a result they hold mortgage loans in portfolio, thus limiting the overall liquidity available to the community. Finalized in 2016, the Duty to Serve (DTS) rule requires the Government Sponsored Enterprises (Fannie Mae and Freddie Mac) to provide a more proactive secondary market for mortgages in three focus areas: manufactured housing, affordable housing preservation and rural housing. Progress has been slow in achieving the true potential of DTS, but it is a critical pillar of future rural access to mortgage capital. Solutions are needed to adapt GSE structures to handle the volume, value and appraisal challenges found in the rural mortgage context. HAC supports the preservation and expansion of DTS requirements.

Community Reinvestment Act
As banks consolidate their physical branches and financial services move online, careful consideration must be made to ensure that underserved rural areas are not forgotten. The Community Reinvestment Act (CRA), adopted in 1977, requires federally insured depository institutions to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods. HAC supports CRA modernization to ensure better function in the rural context.

3: RURAL HOUSING STOCK

Everyone deserves a safe, affordable home. Like in other parts of the country, housing affordability has become the biggest challenge facing rural residents. Each community faces unique challenges and opportunities, but some themes can be found across lower-income rural regions, including: an aging and substandard housing stock, overcrowded conditions and limited rental stock.
Rural Rental Preservation
Rental housing options in rural America are not only sparse, but also declining. An important source of housing in many rural communities are rental homes financed by USDA. Today, there are over 13,000 USDA rental properties providing more than 400,000 affordable homes to families and individuals across rural America. However, due to federal funding cuts, no new USDA direct-financed rental housing has been developed in years, and the existing properties are increasingly losing their affordability provisions. Once the mortgage on the property matures, the units lose their rental subsidy and thus their affordability. For many rural communities, these units constitute the only affordable rental housing available. Significant federal commitment is needed to address this rising crisis. HAC supports increased funding for the USDA Section 515 program to allow for new multifamily construction to resume, increased funding for the Multifamily Preservation and Revitalization (MPR) program and the Preservation Revolving Loan Fund (PRLF) program to address the preservation needs of the multifamily portfolio, the extension of rural rental assistance to all USDA multifamily units, and improved protections for tenants in USDA properties that are being preserved.

Self-Help Housing
Affordable homeownership opportunities can change the economic outlook of both families and entire communities. Since its beginnings in 1996, HUD’s Self-Help Homeownership Opportunity Program (SHOP) has helped create more than 35,000 homes, half of which are located in rural areas. SHOP helps hardworking low- and moderate-income families achieve homeownership through sweat equity. SHOP funds pay for land and infrastructure costs, which are often some of the most difficult items for local nonprofits to finance. HAC supports increased funding for the SHOP program.

Manufactured Housing
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. In manufactured home communities, many residents own their homes and rent the land, which can devalue the asset. Financing options for manufactured homes are often limited and "lot rent" can be predatory. HAC supports increased protections and opportunities for families in manufactured housing communities.

Tribal Housing
Native communities face many of the same challenges characteristic of persistently poor rural areas, with the addition of some unique barriers around land status and access to financial services. Often, traditional lenders will not lend in Indian Country because of the tribal trust land status and a lack of lender recourse options in many tribal legal systems. HAC supports reauthorization of the Native American Housing and Self-Determination Act (NAHASDA) and increased funding for tribal housing programs.

Farmworker Housing
There are approximately 3 million migrant and seasonal farmworkers in the United States. These essential workers show up to work every day to maintain our domestic food supply but face significant housing challenges. These workers and their families disproportionately live below the poverty line in crowded and substandard dwellings. HAC supports increased funding for USDA’s Section 514 and 516 programs, the only federal programs that provide affordable financing to purchase, construct, or repair rental housing specifically for America’s farm laborers.

4: FEDERAL RESOURCES

Rural communities, and the people who live in them, have higher poverty and unemployment rates as well as a higher incidence of substandard housing when compared to metropolitan areas. These circumstances did not develop independent of public policy. Policy decisions at all levels of government have inadvertently contributed to the challenges faced by rural areas. Federal resources for affordable rural housing must be maintained and expanded in order to meet the growing housing crisis across rural America. And more broadly, the rural impact of all federal housing and community development programs should be analyzed to avoid unintended disproportionate or negative impacts. Existing federal housing programs are often ill-suited to the rural context, and despite a proven track record of success, the USDA rural housing programs have been chronically underfunded.
Funding for RHS
Since the first USDA housing loan was made in the 1950s, the agency has funded the construction, purchase or repair of over 5.1 million rural housing units. Rural Housing Service (RHS) loans, grants and related assistance provide low-income families the opportunity to achieve affordable homeownership; provide affordable rental housing to families, the elderly and migrant and seasonal farmworkers; support low-cost home repair for an aging rural housing stock; and help build strong local housing infrastructure through capacity building. However, like many rural solutions, the RHS programs have suffered from a lack of federal funding and challenges around modernizing and adequately staffing the agency. HAC supports robust funding for RHS programs, staffing and modernization needs in order to ensure that programs are running effectively and serving rural residents at the highest level.

Tailoring of Federal Programs
Often, federal housing programs are not well-suited to function in the rural context. Capacity challenges make it difficult for rural places to complete for funding with larger metropolitan areas. Programs like the Low-Income Housing Tax Credit (LIHTC) and the Community Development Block Grant (CDBG), which have been critical affordable housing resources, have not served rural areas proportionately. Additionally, available data on rural areas is often partial and inaccurate, making it difficult to define the true need. HAC supports the creation of a rural block grant program at USDA, the application of the 10-20-30 persistent poverty formula to federal spending, improvements to the tax code, rural impact and proportionality requirements in regulatory and legislative efforts, and better rural data collection to better tailor federal programs to rural needs.

COVID-19 Relief
As rural areas’ capacity is strained by the COVID-19 pandemic, targeted federal relief for rural families who have experienced a health crisis or a loss of income will be critically important. Safe, affordable and sanitary housing is foundational to addressing this health crisis. HAC supports the inclusion of supplemental funding for rural housing programs, specifically USDA Section 521 rural rental assistance and capacity building through RCB and RCDI, in all future pandemic relief packages.

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