Dear Friends,

Developing land for affordable housing is not easy. Rising land and infrastructure costs make it difficult for developers to create homeownership opportunities for families. Now, in a time of dwindling resources, a new program has been created to purchase and develop sites for self-help housing developers and the families they serve. The Self-Help Homeownership Opportunity Program, created by the Housing Opportunity Program Extension Act of 1996, opens the door to more funds for site development.

Under this new program, the Housing Assistance Council was awarded $13.5 million to distribute to self-help housing developers. The result will be 1,350 new homes for low-income families throughout the nation. In this issue of Rural Voices Andres Saavedra and Thomas Gerlits discuss the new opportunities this program offers and how to access these funds.

In addition this issue includes an in-depth examination of using tax credits and forming productive partnerships to build affordable rental units. Recently, the State of California took steps in the right direction to create funding opportunities for affordable housing developers. Also the HAC interview with Under Secretary of Rural Development Jill Long Thompson provides insight into the USDA national office and the future of programs.

We hope you will enjoy reading this issue as much as we enjoyed writing it; and as always, we welcome your comments.

Richard Tucker
Chairman, Board of Directors
Moises Loza
Executive Director

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FUNDS HELP NEW PROJECTS IN CALIFORNIA

Common Ground Communities has been awarded a $178,189 loan for site acquisition and options from the Housing Assistance Council. The funds will be used to purchase half the land needed for a 42-unit single-family home development project in Nevada City, California. This is a mixed income development; 22 of the units will be purchased by low-income families. Construction on the 22 low-income homes will be done through self-help. This is the first project for Common Ground, which incorporated in 1993, but one of many for its Executive Director Richard Drace who has been running self-help projects for 14 years. Drace says the new project is the first step in easing the housing crisis in Nevada City.

The old mining town's in-migration of urbanites from Sacramento has caused an increase in housing costs. The boom in housing costs has not been accompanied by a boom in area incomes, however. Many of the community's residents simply could not afford to live there without the development of affordable housing.

In addition to the HAC funds, Common Ground Communities was awarded a Community Development Block Grant for technical assistance from the Department of Housing and Urban Development. National Cooperative Bank Development Corporation in San Francisco has loaned $100,000 and Mercy Housing also contributed $335,000 to the completion of this project. Common Ground is awaiting the award of an Affordable Housing Program grant from the Federal Home Loan Bank of San Francisco through First Nation Wide in San Francisco in the amount of $110,000.

The project is scheduled to break ground in the spring of 1997 and will be developed in four cluster phases.

HOUSING ASSISTANCE COUNCIL AIDS FARMWORKER HOUSING DEVELOPMENT IN VIRGINIA

Delmarva Rural Ministries has been awarded a $131,980 site acquisition loan from the Housing Assistance Council. The funds will be used to purchase land for a 34-unit Farm Labor Housing project in Eastville, which is in Northampton County, Virginia. The development consists of 16 rental units for year round farmworkers and 18 units for migrant farmworkers.

Delmarva has been building farm labor housing in Delaware, Maryland, and Virginia since 1989. This is the third time the Housing Assistance Council has partnered with Delmarva to help develop housing. Debra Singletary, Executive Director of Delmarva, says that the Housing Assistance Council's help has been essential to the land acquisition for each project in which it has been involved.

Northampton County is an extremely rural county on the eastern shore of Virginia. The economy is based on agriculture and the fishing industry. Northampton is also the poorest county in the state with over 15 percent of the population living in poverty.

For this project Delmarva has also received technical assistance from NCALL Research in Dover, Delaware, and is waiting for approval from the U.S. Department of Agriculture's Rural Housing Service for Farm Labor Housing loans and grants. They are also awaiting financing from the Federal Home Loan Bank of Atlanta.
SELF-HELP HOUSING HAS LONG BEEN AN OUTSTANDING MODEL FOR BUILDING AFFORDABLE HOMES. THE "SWEAT EQUITY" COMPONENTS — FAMILIES CONTRIBUTING IN THE PLANNING AND CONSTRUCTION OF THEIR HOMES — ARE KEY TO AFFORDABILITY. BUT RISING LAND AND INFRASTRUCTURE COSTS MAKE IT DIFFICULT FOR SELF-HELP HOUSING DEVELOPERS TO SUCCEED IN CREATING MORE HOMEOWNERSHIP
opportunities for poor families. "Securing and developing building lots is fundamental to self-help housing. Yet it is often made difficult due to increasing prices, restrictive land use ordinances, increasing environmental issues, and the finite nature of land," says Joe Myer, Executive Director of NCALL Research Inc., a regional technical assistance provider.

Now, in a time of dwindling resources, a new program will strengthen the vast network of self-help housing developers and the families they serve. On September 27, 1996, the Department of Housing and Urban Development notified the Housing Assistance Council that it would receive $13.5 million to fund self-help housing developers through the Self-Help Homeownership Opportunity Program (SHOP). HAC will use these funds for loans to nonprofit self-help housing groups for site purchase and/or infrastructure development of sites. The result will be 1,350 low-income families across the nation constructing their own homes through self-help. SHOP extends HAC's rural housing development involvement by providing more seed-money capital to rural affordable housing developers. This seed money attaches the missing link of hard-to-find start-up money to project development.

SHOP is a great opportunity for self-help housing developers to obtain the site acquisition funds that developers desperately need. This may allow sponsors to write down the costs of a project to make it affordable to low-income families. saw SHOP as an important tool to help create homeownership opportunities for the rural poor through self-help housing. With the support of over 90 grassroots self-help housing organizations nationwide, HAC applied for the remaining $15 million.

A ten-member advisory committee of self-help housing developers and technical assistance organizations, representing a diverse network, helped HAC develop a SHOP proposal. The committee included experienced self-help housing developers from Self-Help Enterprises in California, Delta Housing Development Corporation in Mississippi, Rural Development Inc. in Massachusetts, and Frontier Housing from Kentucky. It also included representatives from the four regional technical assistance contractors under the Rural Housing Service Section 523 program: Florida Non-Profit Housing, Rural Community Assistance Corporation in California, NCALL Research in Delaware, and Little Dixie Community Action Agency in Oklahoma.

Interest in the self-help process led Congress to pass the Housing Opportunity Program Extension Act of 1996 which created the Self-Help Homeownership Opportunity Program, a $40 million fund for Habitat for Humanity and self-help housing developers. Habitat for Humanity was awarded $25 million. Other self-help housing organizations competed for the remaining $15 million. The Housing Assistance Council, a national proponent of self-help housing for 25 years, The advisory committee offered the Housing Assistance Council guidance on how self-help housing could be strengthened on a nationwide basis. Working together, the advisory committee and HAC designed a program that would give self-help housing developers the tools they need to finance building sites and to establish a revolving loan fund for future projects.

HAC's Self-Help Homeownership Opportunity Program Loan Fund works like this: after a competitive application process, HAC will

Self-help houses being built in New Mexico.
SELF·HELP HOMEOWNERSHIP

make interest-free loans to selected groups for site acquisition and infrastructure development. The loans must be repaid when acquired or developed sites are sold to eligible self-help participants or at the end of two years. The maximum amount available per self-help housing organization is $300,000, to ensure a broad geographic disbursement of these funds. A 1 percent service fee will be charged to cover HAC's closing costs incurred to secure the loan.

The prime innovation of the HAC SHOP Loan Fund is that if production goals are met only 25 percent of the loan must be repaid. The remaining 75 percent will convert to a grant. This grant will be used by the self-help housing developer to establish its own revolving loan fund for site acquisition and/or site development, or to subsidize the site cost for a participating family.

To meet the production goal of 1,350 units, the per site cost cannot exceed $10,000. For loans exceeding $10,000 per site, 25 percent of the first $10,000 must be repaid plus 100 percent of the excess amount. Therefore, the maximum grant available is $7,500 per unit.

In a typical scenario, a self-help housing producer group could come to HAC for a $100,000 two-year, no-interest loan to develop 10 building sites. When the self-help housing participant families obtain their mortgage loans to construct their homes, the sites are purchased and the organization will use the proceeds to repay HAC 25 percent ($25,000) plus a 1 percent ($1,523) discounted service fee. The remaining 75 percent ($75,000) could be converted into a grant to use for the purposes described earlier. According to Carol Soliz, Executive Director of Florida Non-Profit Housing, Inc., a regional technical assistance provider, "These [SHOP] funds will provide many self-help housing grantees in the Southeast region an opportunity to vastly improve their ability to deliver affordable housing. Some groups will, for the first time, establish a land fund. This will allow them to build a land inventory, enabling them to better plan recruitment and construction efforts." These self-help housing developers will be empowered to further their programs and be in a better position to obtain land for self-help housing.

Beyond site acquisition and site development, SHOP will help foster a strong geographically diverse network of self-help housing developers to further homeownership nationwide.

The HAC SHOP Loan Fund will especially provide the resources that are needed for smaller rural projects and families. John Clay of Little Dixie Community Action Agency, a regional technical assistance provider and member of the HAC advisory group, agrees. "SHOP," says Clay, "will awaken and rekindle rural organizations to realize that site development is in reasonable reach of what small self-help grantees [under the RHS Section 523 Self-Help program] can now accomplish without undue burden and restrictive measures. Grantees will see this as a welcome event and seize the opportunity to improve program delivery to low-income families. The benefits from the revolving loan aspect of the SHOP funds will multiply dividends over and over."

THE HAC SHOP LOAN APPLICATION PACKAGE IS AVAILABLE BY MAIL, ON DISKETTE, OR TRANSMITTED THROUGH ELECTRONIC MAIL. IT ALSO MAY BE DOWNLOADED FROM HAC'S WEB SITE AT HTTP://WWW.RURALHOME.ORG. APPLICATIONS WILL BE ACCEPTED FROM NOVEMBER 15, 1996 UNTIL JANUARY 20, 1997.

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Andres L. Saavedra is a Housing Specialist and Thomas Gerlitz is a Senior Housing Specialist for the Housing Assistance Council.
For rural nonprofits, tax credit syndication can be a complicated, time-consuming, and expensive method of financing rental housing. One way to reduce costs and increase the percentage of the developer's fee going to nonprofits is to avoid syndicators and work directly with a local corporation as the investor limited partner. Local corporations, including banks, are prime candidates for buying tax credits.

One example of a successful nonprofit/local bank partnership which HAC assisted involves the Douglas-Cherokee Economic Authority, Inc., a community action agency in Morristown, Tennessee, and Citizens National Bank (CNB), a locally owned bank in Sevierville, Tennessee. Sevierville is the county seat of Sevier County, which is part of Douglas-Cherokee's service area.

Sevierville is most famous as the home of country music superstar Dolly Parton and as the gateway to the Great Smoky Mountains National Park, the most visited national park in the country. Dolly's theme park, Dollywood, is four miles from Sevierville in the tourist mecca of Pigeon Forge. The Smokies and Dolly together have combined to create a real estate boom for tourist and second home enterprises.

That same boom, catering to middle- and upper-middle income families, has created a shortage of housing for low-income persons. In 1995 various segments of the community, including local governments, nonprofits, and the business community, called for more affordable housing.

In late 1995 Douglas-Cherokee's Executive Director, Ray McElhaney, assembled a planning team representing all of the community segments to discuss how an affordable housing project might be designed and financed. After a series of meetings, Mr. McElhaney decided to seek a combination of two financial resources: the Federal Home Loan Bank (FHLB) of Cincinnati's Affordable Housing Program and the Low Income Housing Tax Credit Program administered by the Tennessee Housing Development Agency (THDA). He also decided to design the apartments for families, which had the biggest need.

Douglas-Cherokee considered applying for HOME funds; however, the agency had just received a HOME grant for a project in a nearby county, so the possibility of getting additional HOME funds was perceived as remote. Furthermore, CNB, a FHLB-member bank, strongly supported the project and also was interested in doing a tax credit deal.

Douglas-Cherokee is no stranger to developing housing for low-income persons. Under Mr. McElhaney's leadership, the agency and its subsidiaries have developed 841 rental housing units over the last 18 years, including 694 units financed through HUD's Section 202 program and 100 units financed through Rural Development's 515
program. All units are rented to low- or very low-income persons and managed by Douglas-Cherokee.

Although Douglas-Cherokee has extensive housing experience and is the lead intermediary for the HUD CHDO technical assistance program in Tennessee, the agency had not previously developed a tax credit project. The agency’s technical assistance program director had attended a HAC workshop on rental housing and tax credits earlier in the year and called a HAC housing development specialist to assist in putting the project together.

An early barrier was the absence of reasonably priced, suitable sites in a booming real estate market. Mr. McElheny and CNB asked the city to help. In fully supporting the proposed project, the City of Sevierville offered to lease for a dollar a prime tract of city-owned land to the limited partnership which would own the development. The nine-acre site is an excellent location for rental housing near employment and shopping and bordering the Little Pigeon River. So the city became a key player in the development process in addition to the FHLB, THDA, CNB, and Douglas-Cherokee.

Another early step in the development process was to bring the bank and Douglas-Cherokee together to learn more about the tax credit program and begin to structure the deal. This was accomplished through a series of meetings, initially led by the HAC housing specialist, in early 1996 between Douglas-Cherokee staff and bank executives. The tax credit program was explained, negotiable issues defined, and development and operating budgets analyzed. As the meetings continued, both the bank and Douglas-Cherokee used legal counsel to help resolve the detailed legal/technical issues which are part of any tax credit deal. HAC assisted Douglas-Cherokee in finding legal counsel with tax credit expertise.

In April 1996 Douglas-Cherokee’s technical assistance program director, with some assistance from HAC, finished preparing the application for a tax credit reservation. The program director also worked with CNB to prepare the application to the FHLB’s Affordable Housing Program. In June 1996 THDA approved Douglas-Cherokee’s tax credit reservation and FHLB approved CNB’s application for a subsidized rate loan.

The project consists of 47 units with a total development budget of $2.6 million. There are 16 three-bedroom units and a large playground/recreation area.

Project financing includes a $1,215,000 equity investment by CNB as the limited partner and construction and permanent loans from CNB through its participation in the FHLB’s Affordable Housing Program. The FHLB has enabled CNB to provide a construction loan with an 8 percent interest rate and a permanent loan with a 30-year amortization and 6.5 percent interest rate. The FHLB/CNB loans are key factors in making the deal financially feasible.

CNB, the limited partner, is providing one-third of its equity investment at the start of construction and two-thirds when construction is completed. The general partner, a subsidiary of Douglas-Cherokee, will get one-third of its developer’s fee at the start of construction and the balance at completion.

CNB did not require the general partner to provide the financial guarantees regarding cash flow and tax credit benefits typically found in tax credit deals. That is, CNB did not require Douglas-Cherokee to agree to use its own financial resources to make up potential shortfalls of projected cash flow and tax credit benefits. Douglas-Cherokee has an impressive record as a housing developer and manager but, like most nonprofits, the agency simply did not have enough unrestricted accumulated capital to make the standard guarantees.

Instead, if the project fails to produce the projected financial benefits, the bank has the right to require the general partner to assign all of its partnership interest to the bank. In other words, in lieu of guarantees, the bank accepted a provision giving it complete ownership and control over the project if there are management or other problems.
resulting in significantly decreased financial benefits. This was a mutually beneficial solution satisfying both parties. To secure its construction and permanent loans, the bank gets the standard first lien and deed of trust on the property which lenders usually require.

CNB will make a profit through a combination of tax credits, depreciation, tax losses, and receipt of cash flow, while also playing a vital role in helping to provide much needed housing for low-income persons as a result of its participation in this project.

However, in order for a rural bank to participate in a FHLB/tax credit deal, the bank must be willing to risk investing a great deal of time on a complicated venture that may not succeed. CNB’s President and CEO, William Carroll, and its Executive Vice President, David Verble, recognized both the community and financial benefits of the investment and approved the investment and the time commitment required to earn the opportunity to invest.

Vice President, Auditor, and CRA Officer Donna Kidd assumed operational responsibility for the project. Ms. Kidd spent approximately two months applying for and obtaining regulatory approval, preparing the Affordable Housing Program application, and meeting with Douglas-Cherokee representatives. Ms. Kidd told HAC that the construction and permanent loans the bank is making with the assistance of the FHLB are traditional bank loans, loans that any bank could make.

In working with banks on affordable housing deals, Ms. Kidd said, it is critical that nonprofits realize that banks are intended to be profit-making organizations. The deal must be financially feasible. And the earlier senior bank management gets involved in working on a proposed project, the easier it will be for the project to get the bank’s full support. Tax credit deals are complex financial transactions. Most banks, however, even in rural areas, have access to the legal and financial expertise necessary to analyze and participate in tax credit deals.

The bank’s investment of $1,215,000 as the limited partner exceeds the Office of the Comptroller of the Currency’s (OCC) regulatory limit on a national bank’s investment of 5 percent of capital for a community development project. Ms. Kidd spent a week preparing a detailed and lengthy report to send to the OCC seeking permission to exceed the limit. CNB is a well capitalized, profitable bank, the project looked feasible, and the OCC gave its permission.

The benefits to Douglas-Cherokee from participating in this project include succeeding in providing affordable housing, gaining experience with tax credits, collecting a $95,000 developer’s fee, collecting an annual management fee, good publicity, and continuing to build a good reputation with banks, the FHLB, and the Tennessee Housing Development Agency, which awarded the tax credits.

For Douglas-Cherokee, the two most important lessons of this project to date are: make sure you use expert legal counsel experienced in tax credit deals involving nonprofits; and make sure you have a clear understanding of the terms of the agreement with the limited partner before entering into the partnership agreement.

Both CNB and Douglas-Cherokee are looking for the next FHLB/tax credit investment/development opportunity. Chet Hunt is the Director of the Technical Assistance Program, Douglas-Cherokee Economic Authority. Horace Barker is a Housing Development Specialist in HAC’s Southeast Office in Atlanta.

Chet Hunt, Director of Technical Assistance, Douglas-Cherokee Economic Authority.
Jim Wagner, City Planner, City of Sevierville.
Larry Waters, County Executive, Sevier County.
Brian Ashley, Mayor, City of Sevierville.
Ken Ross, President, Ken Ross Architects.
Ray McElhany, Executive Director, Douglas-Cherokee Economic Authority.
Q&A with JILL LONG THOMPSON

by Diego de la Garza

The United States Department of Agriculture’s 1994 reorganization created a Rural Development office with three new sub-agencies: the Rural Housing Service; the Rural Utilities Service; and the Rural Business-Cooperative Service. Leading the office is Under Secretary for Rural Development Jill Long Thompson, a life-long advocate for rural America with broad experience in Congress, rural development, and agriculture. Long Thompson served as a member of Congress from Indiana from 1989 to 1994. Her political career began in 1983 when she won a seat on the Valparaiso City Council.

What is your vision for rural America?

Rural America must be included in new opportunities. That means children growing up in rural communities ought to have a quality education, a good home life, adequate health care, and nutrition. My vision is one with infrastructure and social opportunity where rural America is attached to the rest of the country and the world.

Is commitment to rural America a combined effort between the people there and the federal government?

It’s important for the federal government to have a commitment to all our communities. A strength of President Clinton is his commitment to rural America. Having grown up in a small town and governed a state with a large rural population, he appreciates the value of rural communities to the rest of the country.

As far as development goes, what do you see as the major issues facing rural America?

In one word: resources. Rural communities need affordable housing, water and sewer, transportation, telecommunications infrastructure, good education facilities, and better health care facilities. The challenge rural communities face is comparable to the challenges suburban and urban areas face. It boils down to a question of resources, which can be combined into two categories: funding and nonmonetary technical assistance. A wonderful example is Smith Island, Maryland, where we are dedicating a new crab processing facility. The Department of Agriculture helped a group of women form a cooperative. Through technical assistance we helped them organize and start a business. They are saving that industry on that island.

Water and sewer is another area where technical assistance is valuable. Small towns don’t always have an engineer. Those towns utilize resources through consulting. Rural Development can provide information and help assess potential approaches to their problems.

What is your message to local organizations serving community needs?

My message as Under Secretary of Rural Development is: if you have a need, and you think there is some way we might be able to provide assistance, call us. We will do what we can to provide the resources that can be made available.

What are Rural Development’s strategic plans for the future?

We are attempting to work with local communities that have made the commitment to improve. And we are leveraging our dollars to reach more communities.

Is there a trend from direct loan programs to guaranteed loan programs?

We have to find ways to stretch limited dollars and it’s a challenge. Direct lending is important and we are committed to continuing that program. At the same time, if there are ways we can stretch limited dollars, like a guaranteed program, then we do that as well. There are other ways to leverage the dollars we have with the dollars of local and state governments and the private sector. Obviously, when we lend money it goes further than when we provide grants. So, we often provide a combination of a grant and a loan. That allows us to reach more communities. Also, communities in a position of making a commitment to themselves often have greater success because they believe in the development taking place.
When you say you are leveraging, does this mean direct lending and forming partnerships with organizations that can come up with loans and grants in the community?

We look for innovative, workable ways to make our resources reach as many individuals and families and communities as we can. I believe that each of the components that make up the programs that we deliver is important.

Homeownership has been at the forefront, and the Rural Rental program has been reduced. What are the plans for families that are not ready for homeownership?

Rural Rental is very important, particularly for our seniors, but it is important for many individuals and families. We’re working to find ways to stretch the dollars that we have.

Problems of economic development, housing, and utilities are usually compounded in high need areas like Appalachia, the Mississippi Delta, the colonias, and Indian Country. What are your ideas for serving these populations?

Well, certainly the empowerment zone and enterprise community initiatives have been successful. They are successful because the federal government truly acts as a partner. Within each community, people with different ideas and representing different constituencies have come together and put their differences aside for the community. We can work together using the resources that are available within communities and states and serve as a partner providing additional resources, including technical assistance. We recognize our funds are restricted resources, that the Department can no longer operate on a first come, first served basis. Strategically we need to target the areas of greatest need and potential. And the potential comes from that commitment from within the community.

Could you tell us what kind of priorities the Department has for using the new Fund for Rural America?

Obviously the priorities are to utilize the funds to the greatest good and to make the dollars go as far as they can. From our mission standpoint, housing, business development and infrastructure, water and sewer are all priorities. Research has their priorities. But, this is the Secretary’s fund. This was his initiative. I can talk about the general priorities but we are still in the process of formalizing the Department’s priorities. Those funds don’t become available until January of ’97.

Would the administration support the Fund for Rural America if it were re-authorized?

It has been authorized for three years and we would be supportive of continuing that authorization. Indefinitely.

Recently, the Farmers Home Administration was changed to what is now Rural Development. Why was the reorganization done? Why was it needed?

It was needed because we were not as cost effective as we could be. The Department, like many organizations, has grown over the years. It was past time for a strategic look at the mission. We had to determine the most cost effective way to carry out our missions given the programs that have been authorized by the Congress. The general purpose is to do a better job of providing high quality customer service more cost-efficiently.

And how is it working?

Very well. And I think we’ve been quite successful in all our mission areas — certainly the dedicated loan origination and servicing system. Centralized servicing of single-family housing loans should make it easier for our customers. We will save the taxpayers a quarter of a billion dollars over five years as a result. We’ll be operating more like a business. But the real benefit, I think, is that it allows us then to use the resources we have to provide greater service to communities to help with rural development. If there are routine tasks that can be performed more cost effectively, then that frees up some of our people to work with communities to provide technical assistance on grant writing, or other tasks, but it allows us to do a better job of reaching those communities that have the greatest need.

How has the reorganization affected field offices? Some have closed and others have merged. Is it working as well for the field offices as for the national?

It’s working well but at the same time, I believe, it has been disruptive to our employees. There’s been uncertainty regarding job responsibilities and whether jobs will continue in the same office. We’ve had a reduction in the number of employees. It has been a challenge for our USDA employees and I have to say that the response on their part has been beyond what anyone could have expected. The level of professionalism and commitment to the people that we serve and the flexibility that’s been exhibited has been wonderful. In fact the field offices knew much better than we in the national office how to restructure because they knew from experience what was inefficient in the field. We’ve utilized their input. I think as a result we’re a better organization than if the decisions had been made in a centralized way.
by Marc Brown

Since its inception two decades ago, the California Coalition for Rural Housing (CCRH) has played a key role in generating over $1 billion in state funding for affordable housing — tapping into state general obligation housing bonds, local redevelopment housing funds, state low income housing tax credits and state housing funding for a wide variety of programs to assist farmworkers and other rural residents. CCRH's successes, which have often been a model for other housing coalitions within and outside California, have been due in large part to the cadre of politically astute nonprofit housing developers and other housing professionals who have guided CCRH's work before the California State Legislature for 20 years.

In January 1996, however, CCRH watched with trepidation as marked shifts occurred in the makeup of the state Legislature, and as Congressional budget cuts dramatically reduced funding for legal services housing lobbyists with whom CCRH worked. The Coalition moved quickly to raise $18,000 from key nonprofit developers and other supporters in order to replace the lost legal services lobbying presence. The result, by year's end, was that the Coalition had not only helped defeat dozens of dangerous housing bills, but had gained approval of the two priority measures on its proactive agenda — a new, permanent farmworker housing tax credit and $5 million in new state funding for Self-Help Housing.

FARMWORKER HOUSING TAX CREDITS

The Coalition made a concerted effort to pass a new farmworker housing tax credit patterned after a successful Oregon program. A similar measure had bounced around the Legislature for years, but the Coalition was convinced that this was the type of measure that could be successfully pursued in the changed political environment in Sacramento.

The Coalition secured the pro-bono services of San Francisco attorney, Natalie Gubb, to adapt the Oregon law to circumstances in California and worked hard to broaden the base of support for the bill — eventually receiving support from the California Farm Bureau, Agricultural Council of California, California Building Industry Association, California Labor Federation, Teamsters, Electrical Workers, Pipe Trades Council and Sheet Metal Workers. It also reached beyond its rural base to convince urban housing groups to make funding for farmworker housing a statewide priority.

Based on the history of previous legislation, the Coalition anticipated that a stand-alone tax credit bill would not pass the Legislature, but would need to be part of a comprehensive tax reduction bill. In order to keep the tax credit proposal on the legislative radar screen, however, the Coalition asked Assembly member Cruz Bustamante (D-Fresno) to author a farmworker housing tax credit bill. Bustamante actually wound up introducing two bills, both of which passed Policy Committees in the Assembly or Senate unanimously but which, as expected, died in the Fiscal Committees of the two houses. Although both bills died, they served their purpose. When a Conference Committee was appointed on comprehensive tax reduction and reform, the farmworker housing tax credit was on the list of items to be considered as part of the package.

The Coalition had taken several critical steps to position itself for success in the Conference Committee. It developed a close working relationship on a number of other bills with the President of the State Senate, Bill Lockyer, who was the Chair of the conference committee, and the author of the bill to be used as the vehicle for conference committee action. In addition, the Coalition decided to place administration of the tax credit with the California Tax Credit Allocation Committee (TCAC). The Coalition was then able to secure support from the Director of TCAC, Don Maddy (whose father is a key Republican State Senator), and his boss, the newly elected Republican State Treasurer.

Based on advice from staff of the State Senate, the Coalition structured
its proposal as a $5 million per year tax credit that would sunset after three years. The proposal included two tax credits, one for commercial lending institutions that provide below market rate loans for farmworker housing and one for growers and other developers who build or rehabilitate farmworker housing. The lender credit was set at 50 percent of the difference between a market rate of interest and the actual interest earned on a below market rate loan to finance farmworker housing, and the developer credit at 50 percent of the cost incurred to complete development or rehabilitation of farmworker housing. Either credit could be used for the development or rehabilitation of both seasonal and yearround farmworker housing.

By the time the conference committee concluded its work on a $260 million package of tax reductions and reforms, the Coalition's work had paid off. Although the final deal reduced the farmworker housing credit from $5 million to $500,000 per year, the Coalition was pleased just to have the program on the books. Unexpectedly, a dispute between legislative leaders led to removal of all sunsets from the bill, making the farmworker tax credit permanent.

The Governor signed the bill on September 27. The Coalition is already hard at work to get the credits allocated as efficiently and quickly as possible, so that it can begin making the case for an increased allocation.

**SELF-HELP HOUSING**

The Coalition's second major legislative priority was to obtain state funding for the State Self-Help Housing program, which provides administrative funds for Self-Help sponsors. State Senator Jim Costa was asked to lead the effort. The Coalition undertook an unprecedented public education program, obtaining pro-bono services from Sacramento media consultant Mark Grossman and mailing action alerts to thousands of Coalition supporters.

In addition to support from builders, labor, local governments, and rural legislators from both parties, the Coalition enlisted the help of two key additional supporters, former Republican United States Senator John Seymour, who had authored the Self-Help program as a state Senator, and Maureen Higgins, Director of the California Housing Finance Agency, who had previously worked as a Legislative Assistant in the Office of Governor Pete Wilson. Higgins gave the Coalition invaluable strategic advice and ended up boosting her own agency's allocation of mortgage assistance to Self-Help Housing by $4 million. Working with staff and key members of the Budget Conference Committee, a $1 million augmentation for Self-Help Housing was included in the 1996-97 State Budget, and was approved by the Governor. The funding, to be administered by the State Department of Housing and Community Development, will provide grants to Self-Help sponsors to cover the costs of construction supervision, loan packaging and homebuyer education.

The Coalition is working to make sure these funds are allocated promptly and is laying plans to seek similar state budget augmentations next year.

*Marc Brown is the Co-Director of the California Housing Law Project.*

**NEW PUBLICATIONS**

**MANUFACTURED HOUSING IN NONMETROPOLITAN AREAS: A DATA REVIEW**

Manufactured housing is an important and growing source of housing in nonmetropolitan and rural parts of the United States. Manufactured Housing in Nonmetropolitan Areas: A Data Review examines available data concerning manufactured/mobile homes and their occupants in nonmetropolitan areas. This descriptive report presents the demographic characteristics of households living in these units, as well as information on housing quality, costs, financing, consumer satisfaction, and other issues.

Concerns about the use of manufactured/mobile homes often center around housing quality issues. HAC's data review found that new manufactured homes have improved in quality over time, but notes that as a group nonmetro manufactured/mobile homes — almost half of which were built before HUD began regulating their construction in 1978 — are not equivalent to conventional housing units.

Manufactured/mobile homes may be popular largely because they are generally significantly less expensive to purchase than conventional homes. Data indicates they are not necessarily good long-term investments, however. Studies reviewed by HAC show that appreciation is closely related to location and size, and that the units with the greatest appreciation were also the most expensive to buy.

The majority (68 percent) of nonmetro mobile home residents ranked their homes favorably as places to live, according to one study reviewed, almost as high as the 75 percent of nonmetro residents of non-mobile units who gave their homes good ratings.

Manufactured Housing in Nonmetropolitan Areas: A Data Review is available from HAC for $4.00.
The magnitude and complexity of the economic and housing problems in the Lower Mississippi Delta Region are well documented. The pervasiveness of problems results, in part, from the geographic and cultural diversity of the region. The area covers 219 counties in the states of Illinois, Missouri, Arkansas, Louisiana, Mississippi, Tennessee and Kentucky. Most students of the region relate the vast economic depression to the region's history of economic dependency on agriculture and its related industries, which often produced slower economic growth, if any at all, in comparison to other regions of the nation. This single-structure economy, coupled with the peculiar contributions of a biracial socioeconomic structure, may explain the current plight of the region.¹

Housing conditions in the Delta are only symptoms of the larger socioeconomic and cultural problems prevalent in the region. The 1990 Census found that one in four persons in the region's nonmetropolitan counties lived in poverty, compared to one in five persons in metropolitan counties.² Approximately 40 percent of all black families lived in poverty, compared to 18 percent of all families. The population was 70 percent white, 29 percent black and 1 percent other races or ethnicities. Forty percent of Delta residents lived in places of less than 2,500 population.

Available housing data is useful but does not accurately measure the major housing problems. First, decennial Census figures are likely to undercount rural housing units, especially those in remote areas and those that are renter-occupied, which are frequently substandard. Secondly, the housing quality measures available in the Census do not consider the physical or structural condition of the housing stock.

In 1990, Census data reflected a scarcity of standard housing relative to the needs of low-income, single-parent and aging households as well as housing affordability and quality problems. The interrelatedness of economic, community, household and locational factors influencing the delivery of safe, decent and affordable housing suggests that multiple strategies are required to attack the problem.

Opportunities for securing safe and decent shelter are taken for granted by many. Dramatic improvements have been made in housing quality since 1970. Census figures indicate, however, that housing quality is worse in the nonmetropolitan areas of the Delta than in metropolitan places there. In 1990 in the Delta 52,226 units (2 percent) lacked complete kitchen facilities, and more than 75 percent of them were in nonmetro counties. Of the 57,533 units (2 percent) lacking complete plumbing, 81 percent were in nonmetro counties. The percentage of nonmetro units lacking complete plumbing was three times greater than the percentage of metro units with plumbing deficiencies.

More than 62,000 owner-occupied units, or 3 percent of the region's total, were overcrowded. Although there were more crowded owner-occupied units (41,091) in nonmetro counties than in metro counties (21,564), these figures represented 3 percent of the populations in both types of places. In the Delta, overcrowding was more prevalent in rental units than in owner-occupied units. People live in low-quality housing when they cannot afford to pay market price for standard units, when there is limited supply of low-cost standard units, and/or when housing subsidies are not available.

For many families housing affordability is a major concern. Across the Delta 292,458 (20 percent) of owner-occupied units were cost-burdened (paying more than 30 percent of household income for housing). The percentage of owner-occupied units cost-burdened in metro counties (21 percent) was only slightly higher than the 20 percent for nonmetro counties. Fifty-one percent
of all cost-burdened units with owners aged 15-64, and 62 percent of those with owners aged 65 and older, were in nonmetro counties.

The percentage of cost-burdened rental units was double that of cost-burdened owner-occupied units. About 44 percent of rental units were cost-burdened in both the nonmetro and metro parts of the Delta region. Differences in the age of householders corresponded to differences in the percentage of cost-burdened rental units as well. About 45 percent of renters aged 15-64 were cost-burdened. This proportion rose to 51 percent for renters aged 65 and older.

Fixed income and/or low-income householders suffer the most as housing costs continue to rise and a greater share of household income is used for housing. There is an increasing gap between the number of low-cost units available and the number of low-income households, with the result that many are forced to live in units they cannot afford.

Owner-occupied units accounted for 67 percent of all units in 1990, while 33 percent were renter-occupied. Only 25 percent of the owner-occupied units were black-owned. White householders owned 74 percent and the remaining 1 percent was owned by other racial groups. In nonmetro counties this percentage decreased to 20 percent for blacks and increased to 80 percent for whites. Blacks fared somewhat better in metro counties, where they represented 32 percent of owner-occupied units and whites 66 percent.

As for structural types, 10 percent of all occupied units were mobile homes (308,347 units). Of these units, 240,347 were owner-occupied (12 percent of all owner-occupied units). The 68,000 renter-occupied mobile homes were 7 percent of all renter-occupied units. Across the Delta, mobile homes were considerably more prevalent in nonmetro counties, comprising 14 percent of nonmetro occupied units and only 4 percent of metro occupied units. This higher dependency on mobile homes in nonmetro counties is consistent with national growth trends in the mobile home industry. For many households, mobile units have become increasingly important as a low-cost alternative to conventional detached houses.

The importance of decent, safe and affordable housing to the stability of American families remains unchallenged. Many U.S. residents live in better housing now than at any time in history. Yet there is reason for grave concern when the quality and affordability of housing in the Delta are considered. Low-income households are becoming isolated in areas with poor housing, as moderate- and higher-income families move to communities with better quality homes. As low-cost units are removed from the housing stock due to poor maintenance, and as the cost of new units skyrockets, affordable housing issues become more important. The recently renewed interest in the development of policies to overcome barriers of income and race is encouraging, but results of these new initiatives are yet to be realized. The sheer magnitude of housing problems in the Delta and the interconnection of housing, economic development and community resources needs suggest major challenges for the future.

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2 All data in this article is from the 1990 Census of Population and Housing, compiled and reported by the Housing Assistance Council in Taking Stock of Rural Poverty and Housing for the 1990s (Washington, D.C., 1994). Terms used in this article are those used by the Census, including “black” rather than “African American” and “mobile homes” rather than “manufactured housing.”
Complexities and Impact

by Art Collings

On August 6, President Clinton signed Public Law 104-180, the primary funding vehicle for Fiscal Year 1997 for the Department of Agriculture, including the Rural Housing Service (RHS). This new appropriations law combines several housing programs into a large state block grant but does not set guidelines on how to distribute the funds. The act also further reduces spending for rural assisted housing. There is a possibility that money from the Fund for Rural America and surplus carryover from the Women and Infant Children (WIC) program will be added to housing programs, but details were not available by press time.

The 1997 appropriation is unique in a number of respects, including the following:

- Interest rate assumptions by the Office of Management and Budget (OMB) for the budget were below actual levels and have contributed to sharply reduced direct loan program levels.
- RHS will have to boost the Section 502 note rate to 7.5 percent, with a Treasury borrowing rate of 7.11 percent, to attain a $585.3 million program level. Even so, this is $431 million below 1996 levels and more than $1 billion below 1994 levels.
- Six housing and four community facility programs were combined into the Rural Housing Assistance Program (RHAP), with additional discretion to Rural Development State Directors on how funds will be used.
- Congress reduced funding for programs that make up the new RHAP by approximately 33.5 percent.
- A recent trend continues to increase unsubsidized loan guarantees and decrease subsidized direct loans. The unsubsidized guaranteed 502 program is now 65.8 percent of the total RHS budget. This focuses the programs toward more moderate-income families.

Table 1

<table>
<thead>
<tr>
<th>Program</th>
<th>1980</th>
<th>1994</th>
<th>1995</th>
<th>1997 (est.)</th>
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<tr>
<td>502 Direct, Subsidized</td>
<td>31.657</td>
<td>27.351</td>
<td>13.351</td>
<td>9.421</td>
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<td>502 Guaranteed, Unsubsidized</td>
<td>590</td>
<td>11.523</td>
<td>16.580</td>
<td>38.103</td>
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<tr>
<td>515 Subs., Rental Housing</td>
<td>33.100</td>
<td>11.542</td>
<td>2.853</td>
<td>2.014</td>
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</table>

IMPRINT OF LOW INTEREST RATE ASSUMPTIONS

Assumptions about Treasury interest rates for a given year determine how much program funding is actually available. For FY 1997, the Office of Management and Budget and the Congress used a low rate of 5.53 percent to establish budget authority at $83 million for the direct Section 502 program, assuming that would support the appropriation of $1 billion. It appears, however, the actual interest rate will be 7.11 percent, which will support only $585.3 million in spending.

(Budget authority, which is an estimate of the lifetime cost to the government of the program level, determines how much the agency can actually spend.)

The low interest rate assumptions projected loan subsidy cost and helped meet deficit reduction goals. The reality is that assisted rural housing has borne a disproportionate
percentage of budget cuts, and the losers are the ill-housed rural poor, who reach out for a smaller and smaller piece of the American dream. The demise of the direct Section 502 homeownership program shows that reduction in assistance to low-income families. Table 1 illustrates commitments in terms of units financed. In FY 1995 income levels for Section 502 guaranteed loan borrowers were 78.1 percent higher than for direct loan borrowers.

RURAL HOUSING ASSISTANCE PROGRAM

The Rural Housing Assistance Program is a block grant derived from several programs that divides funding into three rural development streams. The funds for a number of programs have been combined and allocated to Rural Development (field office) State Directors. The directors have discretion to move up to 25 percent of the funds from one stream to another, based on input from state, local or tribal leaders. Nationally there is a 10 percent limit on the amount of funds that can be moved. Initially it was believed there would be discretion for moving funds for differing purposes within streams. It now appears that will be the case only at pooling time. The appropriations are so limited that pooled fund availability appears remote. Table 2 shows the budget authority requested for programs that make up RHAP, adjusted levels made necessary by the appropriation of $130,433 million, and the program level that can be obtained at actual interest rates.

There are significant problems with the block grant. First, Congress appropriated 33.5 percent less than the budget request. When programs are lumped together they lose individual identity and it becomes easier for Congress to make further cuts in programs that have already sustained disproportionate reduction. Second, individual applicants will have less assurance they can be reached in their particular program. Third, water and waste programs are more popular with the state and local officials who also interact with the State Director, so there is a real possibility that 10 percent of the already depleted housing funds may be diverted to that stream. Finally, inclusion of the Section 516 farm labor housing (FLH) grant funds is a terrible mistake. The move separates the FLH loan and grant funds. Distributing the limited money among all states makes it next to impossible to aggregate enough to fund individual projects.

RHAP may be the first step toward block granting all the assisted rural housing programs.

Art Collings is a Senior Housing Specialist with the Housing Assistance Council.

Table 2
RHAP, FY 1997, ESTIMATES AS OF 10/17/96 (a)

<table>
<thead>
<tr>
<th>Estimated Program</th>
<th>Administration's Budget Authority</th>
<th>Proposed Authority (b)</th>
<th>Adjusted Budget Program Level</th>
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<tbody>
<tr>
<td>504 Grants</td>
<td>$24,900,000</td>
<td>$15,989,000</td>
<td>$15,989,000</td>
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<td>509(c) Compensation (c)</td>
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<td>$0</td>
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<td>509/525 Grants (c)</td>
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<td>515 New Projects</td>
<td>$74,130,000</td>
<td>$49,473,000</td>
<td>$96,561,280</td>
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<td>516 Farm Labor Grants</td>
<td>$10,000,000</td>
<td>$6,421,000</td>
<td>$6,421,000</td>
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<tr>
<td>521 Rental Assistance (d)</td>
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<td>$30,190,000</td>
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<td>533 HPG</td>
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<td>538 Guaranteed MFH</td>
<td>$80</td>
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<td>Direct Com. Fac. Loans</td>
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<td>$11,340,000</td>
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<td>Guar. Com. Fac. Loans</td>
<td>$400,000</td>
<td>$263,000</td>
<td>$64,126,841</td>
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<tr>
<td>Com. Facility Grants</td>
<td>$10,000,000</td>
<td>$6,421,000</td>
<td>$6,421,000</td>
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<tr>
<td>Rural Fire Prot. Grants</td>
<td>$2,000,000</td>
<td>$1,285,000</td>
<td>$1,285,000</td>
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<tr>
<td>Empowerment Zones/EC</td>
<td>—</td>
<td>$1,200,000</td>
<td>—</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$194,460,000</strong></td>
<td><strong>$130,433,000</strong></td>
<td><strong>$371,269,854</strong></td>
</tr>
</tbody>
</table>

(a) This table shows HAC estimates based on FY 1997 budget and appropriations. Agency RHAP determinations were not final as of 10/17/96.
(b) Congress appropriated total budget authority of $130,433,000. To achieve this reduction, funding for each program, except Section 538, was reduced by 33.5426309 percent.
(c) Will be included in RHAP in subsequent fiscal years. Carryover funds used for FY '97.
(d) For use in RHAP-funded projects. Total RA is $524,060,000.
Preparing for the Future: New Directions, New Visions

HAC's 25th Anniversary Conference Approaches

by Norma C. López

The National Rural Housing Conference is the most comprehensive gathering of rural housing advocates and professionals that takes place [in the U.S.] and is a phenomenal opportunity to make important connections and broaden one's knowledge in a seminar setting and on a peer basis,” says Peter Carey of California, President of the National Rural Self-Help Housing Association.

In the last 25 years the Housing Assistance Council has been a distinct voice speaking up for the rights of rural Americans and their housing concerns. HAC has raised that voice through the National Rural Housing Conference. The conference is organized every two to three years with wide support from national and regional organizations whose mission is to promote or provide affordable housing. The 1996 conference already has been endorsed by 40 co-sponsors. As part of their commitment to ensure a broad and diverse attendance at the conference, co-sponsors contribute to a scholarship fund which is available to eligible individuals who might not be able to attend the conference without financial support. John Harshaw from the National Community Reinvestment Coalition explains his support for the conference. “As we move forward into the 21st century, it is important to structure partnerships for the future.”

The conference is a venue for rural housing advocates, activists, practitioners, and others to meet and share ideas, focus on issues and reenergize efforts. Some participants find the networking and the opportunity to meet with their Congressional representatives and staff most useful. At the conference, participants have an opportunity to meet people from all over the rural United States. At the 1994 conference, over 500 participants came from 47 states. Seventy-six percent of the participants represented nonprofit organizations. The remaining share represented government and for-profit organizations. Networking is fostered through various social events such as luncheons, a welcoming reception, and a formal banquet. This year, HAC is also sponsoring a Networking/Roundtable breakfast where participants can meet others with the same interests. Roundtables will include topics such as housing for women, rural homelessness, and block granting.

Those who attend the National...
Rural Housing Conference also take home a wealth of knowledge stemming from the wide range of workshops offered. This year participants can choose from over 40 workshops. The workshops have been categorized into three tracks: Capacity Building of Nonprofit Organizations, Financing Housing Development, and Housing Development. Many of these workshops were selected from participant suggestions at the last conference and from the conference planning committee members. These three tracks were designed with the changes nonprofits cope with, including project financing and administrative needs, in mind. Participants will find that some workshops in the Building Capacity track will offer them the tools to analyze ways in which they can succeed and survive in today's difficult environment of housing development. They will also find workshops to help them market themselves and their efforts better. Those needing more technical knowledge will find the workshops on housing development and financing extremely useful. In today's environment, financing a project can require multiple sources of funding. Workshops at the conference offer participants information on a variety of funding sources offered by federal and state governments and private sources such as foundations and the Federal Home Loan Bank.

Christa Conant, an employee of HOUSE, Inc. in Maryland, who attended in 1994, says she found the technical aspects of the workshops the most helpful and learned a lot about different funding sources.

Others find speakers and national figures who attend the conference inspirational. At the 1994 conference, a keynote speech by HUD Secretary Henry Cisneros was a huge success. He spoke with compassion and knowledge about rural housing issues. Former HAC Board President Art Campbell spoke passionately and presented an accurate picture of the nation's rural housing. Campbell challenged participants and elected officials to take another look at rural housing and, more importantly, to do something about the deplorable conditions in rural areas. This year invited speakers should provide the same type of inspirational message. Plenary sessions deal with issues affecting rural housing developers. This year the conference will explore the issue of housing as part of the domestic policy agenda. It will examine why housing has not been given the attention it deserves and how to focus attention on housing.

Finally, the conference has been a traditional meeting place for rural housing practitioners from throughout the United States and key staff of the USDA's Rural Housing Service. The conference provides a venue in which concerns and interests of RHS clients are shared with state and federal RHS representatives. Conversely, RHS representatives present new policies or discuss issues with a national audience. This interaction is achieved through RHS participation, which in the past has ranged from panels on RHS programs, to high level RHS officials delivering keynote addresses, to setting up booths with information on USDA programs, to informal mingling with the attendees. Regardless of the manner of involvement, RHS is usually a highly visible participant in this conference which attracts many of its constituents.

Those who have attended the National Rural Housing Conference in the past have been very satisfied with the outcome. Tom Carew, Executive Director of Frontier Housing in Kentucky, found the conference to be “a great opportunity to meet with peers who are addressing the same issues that [I] have to face.” He also found the Rural Housing Service (formerly Farmers Home Administration) workshop very helpful. Carl Allen, Program Administrator at RHS in Massachusetts, echoed the same comments. “[I] appreciated the opportunity to be with colleagues who share similar interests and the excellent variety of workshops."

The National Rural Housing Conference will take place on December 12 - 14, 1996 at the Renaissance Washington Hotel in Washington, D.C. For more information contact HAC at (202) 842-8600, fax (202) 347-3441, or e-mail HN0143@handsnet.org.

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The Housing Assistance Council (HAC) is a national nonprofit corporation founded in 1971 and dedicated to increasing the availability of decent housing for low-income people in rural areas.

HAC strives to accomplish its goals through providing seed money loans, technical assistance, training, research and information to local producers of affordable rural housing. HAC maintains a revolving loan fund providing vital seed money at below market interest rates to rural housing developers. Developers can use these funds for site acquisition, development, rehabilitation or new construction of rural, low- and very low-income housing. HAC has a highly qualified staff of housing specialists who provide valuable technical assistance and training, and research and information associates who provide program and policy analysis and evaluation plus research and information services to public, nonprofit, and private organizations. HAC’s subsidiary Rural Housing Services (RHS) syndicates rural housing developed with the Low Income Housing Tax Credit.