NATIONAL RURAL HOUSING COALITION

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Statement of Joe L. Myer
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Introduction

Chairman Frank, Ranking Member Bachus, Congressman Michael Castle from my home state of Delaware, and Members of the Committee, my name is Joe Myer and I am the Executive Director of NCALL, Research, Inc. and a current board member of the National Rural Housing Coalition.

NCALL Research is a multi-faceted nonprofit housing corporation based in Dover, Delaware that offers a variety of housing development technical assistance services to local nonprofit sponsors, along with direct educational services to lower income households in need of improved housing conditions. NCALL's extensive affordable housing experience which span thirty years help it advocate for housing programs and resources to address the full continuum of housing needs.

NCALL provides assistance to potential and existing self-help housing organizations in twenty-one states northeast quadrant of the nation through a contract with the USDA's Rural Housing Service. Services include predevelopment and application reviews, staff training, technical monitoring and oversight, financial certifications, participation in quarterly progress meetings, dissemination of newsletters and manuals, and conducting regional training. Concentrating its development services in Delaware and the Eastern Shores of Maryland and Virginia (the Delmarva Peninsula) NCALL assists locally based nonprofit housing sponsors to develop multi-family housing projects serving very low income elderly, families, and migrant and seasonal farmworkers. Assisting with all phases of the housing development process, from predevelopment to financing to construction, and rent-up, NCALL has partnered on 45 successful apartment communities. In doing so, NCALL has addressed major obstacles that multi-family housing developers face. Whether it is NIMBY, lack of building sites, or federal or state bureaucracy, NCALL has learned how to weather the storms, resulting in high quality affordable housing. Experience helping to form quality development teams, makes sure units are well planned, built, and managed. That is why the developments NCALL is associated with look as good today as the day they were built.

NCALL also offers a variety of educational housing counseling services to low and moderate income Delawareans who wish to improve their housing conditions. This educational empowerment through financial literacy and homeownership counseling enables families to take control of their housing future and enjoy the benefits of improved housing and greater financial independence. The counseling covers the continuum of assisting elderly households obtain health and safety repairs, helping rural families by packaging their 502 homeownership mortgage applications, and assisting families to become mortgage-ready for conventional bank community reinvestment mortgages. In April of this year, NCALL reached the amazing milestone of 6,000 homebuyers leveraging $580 million in attractive mortgage credit.

Finally, NCALL was recently certified by the U. S. Department of Treasury as a Community Development Financial Institution now providing affordable housing and community development loans to the nonprofit sectors. Loan purposes include predevelopment, acquisition and construction, lines of credit, and community based facilities.

NCALL is currently working with two nonprofit sponsors to develop 19 family apartments in Georgetown as Pepper Crossing and 34 units of elderly apartments in Seaford as Hampton Court, both in Sussex County. The housing process has become so complicated, and with slim resources very competitive, that these developments need to bring leveraged funds to the table in order to secure Low Income Housing Tax Credits. With increased land and construction costs, substantial financing gaps exist, especially when reaching down to serve very low income households. We believe National Housing Trust Fund assistance to rural Delaware could help provide the financing leverage needed to bring in the other federal and state finance partners.

The National Rural Housing Coalition

The National Rural Housing Coalition (NRHC) is a national membership organization that advocates for federal policies which improve housing and community facilities in rural America. NRHC has stood for the principle that all rural people have the right to a decent place to live, safe drinking water, and basic community services. We have testified before this Committee previously and appreciate the opportunity to testify today on rural housing issues and HR 2895: National Affordable Housing Trust Fund.

Rural Housing Need

The rural population of this country has changed dramatically over the past century. In the 1900s, two thirds of the nation's population lived in rural areas. However, today, rural residents make up one fifth of the nation's population and live across 80% of the landmass.

According to the 2000 Census, there are 106 million housing units in the United States. Of that, 23 million, or 23 percent, are located in non-metro areas. Many non-metro households lack the income for affordable housing. The 2000 Census revealed that 7.8 million of the non-metro population is poor, 5.5 million of the non-metro population face cost overburden, and 1.6 million of non-metro housing units are either moderately or severely substandard. Most cost burdened households have low incomes and a disproportionate number are renters who account for 36% of cost burdened occurrences in rural areas.

According to the Economic Research Service, 30% of the 302 non-metro counties (537 counties total) can be defined as housing stressed which means that they met one or more of the following housing conditions in 2000: lacked complete plumbing, lacked complete kitchen, paid 30% or more of income for owner costs or rent, or had more than 1 person per room. The principal component of housing stress is high housing expenses relative to income.

Over 5.6 million homes or 24% of the total occupied rural housing stock are renter occupied. Renters in rural areas are the worst housed individuals and families in the country. Renter-occupied households in rural areas are twice as likely to live in substandard housing as their owner counterparts. Approximately 5.2 million people or thirty-five percent of rural renters are cost-burdened, paying more than 30 percent of their income for housing costs. Almost one million rural renter households suffer from multiple housing problems, 60 percent of whom pay more than 70 percent of their income for housing.

Many of our nation's poorest residents are concentrated in rural areas that experience persistently high rates of poverty and are often invisible to the rest of the nation. These counties are often clustered within several high need rural regions and populations such as central Appalachia, the Lower Mississippi Delta, the southern Black Belt, the Colonias along the U.S. Mexico boarder, and Native American lands. They also have higher proportions of minorities as well as higher poverty and unemployment rates.

Likewise, central and southern Delaware, our rural counties, have poverty rates higher than the state average and experience similar conditions previously described:

- 45,732 families pay 30% or more of their income for housing costs.
- 47,690 families have incomes below $35,000 making it difficult to buy or rent adequate housing.
- 57% of all workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.
- There is a deficit of 12,000 affordable housing units for those with extremely low incomes.
- Over 26,000 households are severely burdened, paying over 50% of their income for housing.
- Nearly 7,000 residents experience homelessness during the year.
- A majority of Delaware's 20,000 substandard housing units in need of major repair or replacement exist in rural counties.

Over the course of the past century, the poor quality and condition of homes was the primary housing concern facing rural America. However, today it can be argued that affordability has replaced poor housing conditions as the greatest problem for low income rural households.

Rural households on average are poorer when compared to urban households. According to the 2000 Census, the poverty rate in rural America is 14.6 percent higher than the national rate. It is also higher when compared to the rate for big cities because rural households tend to pay more of their income for housing than their urban counterparts. According to the Economic Research Service over 400 nonmetro counties (out of a total of 2,308 nonmetro counties, based on 1993 metro-nonmetro definitions) had poverty rates of 20 percent or more in 2000, well above the overall nonmetro average. The same economic conditions can be found in Delaware where the median incomes in the two rural counties are 30% less than the metropolitan counties.

In the face of this need, rural housing spending for Agriculture Department programs has dropped by over 20% the last three years. The Administration's FY 08 budget request calls for elimination of most rural housing program serving low income households.

Another illustration of the drastic reduction in spending by the Agriculture Department is the USDA's Section 515 Rural Rental Housing program which funded the development of 11,542 units of affordable rental housing in FY 1994 in rural areas. Only 1,759 units were developed under the program in FY 02 reflecting an 85% reduction from the FY 1994 levels.

NCALL has directly felt the impact of such reductions in the rural housing programs at the Agriculture Department. NCALL has been responsible for packaging over 700 Rural Development 502 mortgages over two decades in Delaware and increased affordability gaps since the early 2000's have created more demand than ever for this rural homeownership program.

Availability of Federal Programs for Rural Areas

A disproportionate amount of the nation's substandard housing is in rural areas. Rural households are poorer than urban households, pay more of their income for housing that their urban counterparts, and are less likely to receive government-assisted mortgages. For example, although the rural population is 22 percent of the nation's population:

- Less than 7 percent of FHA assistance goes to non-metro areas. On a per-capita basis, rural counties fare worse with FHA, getting only $25 per capita versus $264 per capita in metro areas;
- Only about 10 percent of Veterans Affairs housing programs reach non-metro areas and per capita spending in rural counties is only one-third that of metro areas;
- Only 12 percent of section 8 funds go to non-metro areas; and
- In 2003, Fannie Mae assisted a little more than 9 million families of which 4.5 million were low and moderate income. Of that number 11% or 990,000 families lived in rural areas of which 365,399 or 8% were low or moderate income.

In addition, there is far less Community Reinvestment Act investments, lending, and contribution activity in rural areas due to the fact most financial institutions are based in metropolitan areas.

On Housing Trust Fund Legislation

We are pleased to offer our support for the National Affordable Housing Trust Fund Act. Reinvigoration of federal housing policy is long over due. The resources that this legislation makes available will have a positive impact on the quality and quantity of affordable housing across the nation. Given high levels of housing distress in rural areas, the recent reductions in federal rural housing assistance and the low level of support for rural housing by other programs and entities, the National Rural Housing Coalition is especially pleased to endorse this legislation.

The National Housing Trust Fund Act will help provide resources for affordable housing that are desperately needed along with finance needs to help bridge increasing affordability gaps, especially in rural areas. We have a few comments and recommendations regarding the legislation. These are aimed at facilitating the use of the Trust Fund for rural areas.

1. Section 296 (c) Targeting Requirements

We are happy to support the targeting requirements established in the legislation because there is a real need in rural areas – at least 75% of the funds for affordable housing will serve extremely low income families. We are also happy to support the definition in the bill which defines that an extremely low income household is one having an income at 30% of median or the federal poverty line.

In some rural communities, incomes are extremely low and the poverty line is a better measure for the subsidy contemplated in the legislation. This unfortunately does not match up well against definitions of federal and state programs which use low income as 80% of median, very low income at 50% of median and extremely low income at 30% of median.

It is important to point out that the level of targeting required in this legislation anticipates the availability of a level of subsidy that we have not seen much of in rural America. With reductions in Rural Housing Service programs, limited availability of tax credits and HUD programs, it extremely difficult to assemble subsidies adequate for housing extremely low income people. We support this provision and hope to work with the Committee to be sure than it works for rural America.

2. Section 296 (d) Use for Rural Areas

The provision is designed to ensure that rural communities – as defined by section 520 of the Housing Act of 1949, as amended- received assistance under the Trust Fund. However, as written, the provision does not provide adequate direction to States or Participating Jurisdictions on a definition of need. As a result, there is not a uniform standard for allocating funds to rural communities.

Rural communities are difficult to serve. Projects located in rural areas are smaller and more geographically isolated. It is also more difficult to find matching funds and developers in rural areas. In many cases, following the path of least resistance, may lead to the money for affordable housing going elsewhere.

Under the proposed legislation, the states and Participating Jurisdictions will receive an allocation of the Trust money based on their share of:

- population to the aggregate population of the state;
- families that live in substandard housing;
- families that pay more than 50% of their annual income for housing costs;
- percentage of persons having incomes at or below the poverty line;
- cost of unit construction or carrying out housing rehabilitation in the state;
- percentage of the population of the state residing in counties having extremely low vacancy rates;
- percentage of housing stock in the State that is extremely old; and
- any other factors the Secretary determines to be appropriate.

States and Participating Jurisdictions should use objective criteria in defining rural areas – the legislation adopts the definition in the Title V of the Housing Act – and in allocating resources to housing activities in rural communities. We suggest that the legislation require States and Participating Jurisdictions with rural areas to establish a sub-state or sub-jurisdiction allocation based on housing and poverty need indictors. These factors should include rural population, families living in substandard housing, housing cost overburden and poverty population.

In this calculation we have left out housing construction costs. We acknowledge that housing construction costs in many rural areas are lower than in metropolitan communities. However in many rural communities, building affordable housing includes acquiring and improving land. These additional infrastructure improvements tend to increase the cost of developing affordable housing in rural America.

In addition, and most importantly, incomes in rural America are below that of metro areas. Based on 2000 Census data, the Economic Research Service reports that incomes of rural households are only 75% of that of urban families. In 2000 the annual median family income in a non-metropolitan area was $41,829 compared to the annual median income of a metropolitan area which was $55,203. As a result, the combination of lower median incomes and land and infrastructure costs are offsetting factors to lower construction costs found in many, but not all, rural areas.

We will be pleased to work with the Committee in designing a formula that provides a fair share of the Trust Fund resources for rural America. Again we are pleased to support this legislation and urge the Committee to act on it promptly.

On behalf of the National Rural Housing Coalition, NCALL, and the great State of Delaware, thank you for the opportunity to provide testimony on the National Housing Trust Fund Act.

I would be happy to answer any questions you might have.