

# HOUSING IN THE HEARTLAND: ADDRESSING OUR RURAL HOUSING NEEDS

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## HEARING BEFORE THE SUBCOMMITTEE ON HOUSING AND INSURANCE OF THE COMMITTEE ON FINANCIAL SERVICES U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED NINETEENTH CONGRESS FIRST SESSION

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Thursday, June 12, 2025

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## **HOUSING IN THE HEARTLAND: ADDRESSING OUR RURAL HOUSING NEEDS**

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**Thursday, June 12, 2025**

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON HOUSING AND INSURANCE,  
COMMITTEE ON FINANCIAL SERVICES  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 1:30 p.m., 2128 Rayburn House Office Building, Hon. Mike Flood [chairman of the subcommittee] presiding.

Present: Representatives Flood, De La Cruz, Rose, Timmons, Fitzgerald, Downing, Cleaver, Tlaib, Williams of Georgia, Bynum, Pressley, and Pettersen.

Also present: Representative Nunn.

Chairman FLOOD. The Subcommittee on Housing and Insurance will come to order. Without objection, the chair is authorized to declare a recess of the committee at any time.

This hearing is entitled "Housing in the Heartland: Addressing our Rural Housing Needs."

Without objection, all members will have five legislative days within which to submit extraneous materials to the chair for inclusion in the record.

I now recognize myself for 5 minutes for an opening statement.

### **OPENING STATEMENT OF HON. MIKE FLOOD, CHAIRMAN OF THE SUBCOMMITTEE ON HOUSING AND INSURANCE, A U.S. REPRESENTATIVE FROM NEBRASKA**

First of all, I would like to thank our witnesses for being with us today, and I very much look forward to hearing your testimony on the topic of housing in rural America. Thank you for coming 30 minutes early, given the House's schedule today.

So far this year, we have focused this subcommittee's work on the rising cost of housing in America. We have spent our hearing in March focusing on the underlying driving force behind the problem, and that is a lack of housing supply. In May, we had an opportunity to examine some of the alternate building methods that can bring supply online for less cost like manufactured housing, modular housing, and even early stage experiments with 3D printing homes.

Today, we are going to dig into the challenges with building housing in rural America. The problems in the rural parts of our country are a little different than those that we see in the urban areas. While a rural area may have lower land costs, the logistics associated with getting homes built in rural areas can introduce

some unique challenges that drive up costs, such as it is more expensive to transport building materials to a remote part of the country.

Longer supply chain means more cost, and those costs are often passed down to the home buyer or the renter. Rural areas may have fewer contractors and subcontractors nearby to do the work needed to build the home. Labor shortages can lead to expensive delays on a project or even stop projects altogether when an area simply does not have the experts needed to do the work at all. Alternatively, it can mean bringing labor in from further away from the project site, which contributes to higher labor costs overall. Again, these costs are passed down to the home buyer or the renter.

However, as we examine what drives costs in rural housing markets, we will also see some common themes that we have already discussed in this subcommittee that will reemerge, namely regulatory burdens from the Federal Government that often hit smaller communities with less resources the hardest.

Through my work so far in Congress, I have identified four key cost drivers in Federal housing projects. I call them the four horsemen of the housing apocalypse. Number one, environmental review requirements that delay a project's start and drive up costs; number two, build America, buy America requirements that drive up the cost of critical construction materials and appliances, sometimes 20, even 40 percent more than otherwise necessary; Davis-Bacon requirements, that from what I have heard, are much more costly due to the associated reporting requirements than they are for the actual cost of paying prevailing wages; and number four, Section 3 requirements that make it more difficult to find contractors to do the job, particularly in rural areas with some of the workforce challenges that I mentioned.

While many of these requirements are well-intentioned, their combined impact significantly drives up costs of projects using Federal dollars. I look forward to hearing from our witnesses about both the challenges that are unique to rural housing markets and how some of those common Federal regulatory challenges affect projects in rural areas.

Finally, this hearing will also serve as an opportunity to explore the impact of Federal rural housing programs like the United States of Agriculture's (USDA's) Rural Housing Service (RHS). The RHS operates programs under Title V of the U.S. Housing Act of 1949. The Section 515 program provides affordable rental housing for low-income families, the elderly, and people with disabilities. The Section 538 program provides financing to increase the supply of rural housing for low-and moderate-income people and the Section 502 program that makes direct loans to low-income borrowers to rehabilitate or purchase a primary residence.

Ranking Member Cleaver has a draft bill noticed to this hearing that would make some changes to these programs, which I am sure will be a subject of discussion today with our witnesses and our members. I am excited to dig deeper into each of these issues today, and I look forward to our witnesses' testimony.

With that, I yield back.

Chairman FLOOD. The chair now recognizes the ranking member of the subcommittee, Mr. Cleaver, for 5 minutes for an opening statement.

**OPENING STATEMENT OF HON. EMANUEL CLEAVER, RANKING MEMBER OF THE SUBCOMMITTEE ON HOUSING AND INSURANCE, A U.S. REPRESENTATIVE FROM MISSOURI**

Mr. CLEAVER. Thank you, Mr. Chairman. I also want to thank you for giving a great deal of your time to this and other issues related to contemporary housing problems.

I represent the 5th District of Missouri, and my congressional district includes Kansas City, Missouri, and the surrounding metropolitan area. Before redistricting, I spent nearly two decades representing a district that stretched from Kansas City, Missouri, in the far west, to a city called Slater, Missouri, near the center of the State. Slater is a very small town of 2,000 that, unless you are a diehard fan of Steve McQueen, the King of Cool, and know about the trivia at his birthplace, you probably never heard of Slater.

I spent a lot of time in rural America, having been born there in Texas, but rural America is home to 20 percent of the United States' population and growing, and covers more than 90 percent of the U.S. landmass. A lack of new construction, limited investment in existing housing stock, and economic constraints are driving a shortage of safe and decent housing in rural America. Over 1/3 of rental units in rural America are at least 55 years old.

Preserving an increasing housing supply in rural areas is a formidable challenge, but possible. Many small rural communities face higher construction and material costs, struggle to access private financing and philanthropic support, and lack the capacity to navigate the complexities of Federal programs. Many are also at risk of a disproportionate loss of housing stock following extreme weather events.

Strong public investment and public and private partnerships are now needed. Chairman Flood and I have spent time this week exploring ways that Housing and Urban Development's (HUD's) Home Investment Partnerships Program can better be tailored for increasing supply in smaller and rural areas. In addition to HUD, rural development programs through the USDA are specifically designed to address the unique challenges in USDA-eligible areas.

I thank Congressman Nunn for working with me on the Rural Housing Service Reform Act, which would improve Federal housing rural programs through USDA. This bill includes my Strategy and Investment Rural Housing Act, which would preserve existing housing, build new housing, and prevent unnecessary housing instability. For many communities, these USDA-supported housing constitutes the only affordable rental housing available. These are low-income veterans, disabled individuals, and fixed-income persons who need help and know housing there is available.

At the same time, the Administration's cuts to USDA rural development staff are having a detrimental impact. Office closures and dramatic staff reductions do not create efficiency; they create a backlog. My hearing concerning reports of degraded services and impaired programs at USDA are happening almost daily. The President has further proposed a \$600 million cut to USDA Rural

Development and proposed to eliminate or reduce nearly every rural housing program. This includes the Section 502 Direct Loan Program, which has helped more than 2 million individuals in low-income rural families achieve homeownership. I will continue to work with my Democratic and Republican colleagues to find productive solutions to rural challenges.

Thank you, Mr. Chairman.

Chairman FLOOD. Thank you, Ranking Member Cleaver.

Today, we welcome the testimony of Mr. Richard Baier, the President and CEO of the Nebraska Bankers Association; Mr. David Garcia, the Policy Director at Up for Growth; Mr. Ian Maute, Director of Development at the Buckeye Community Hope Foundation, testifying on behalf of the Council for Affordable and Rural Housing (CARH); and Mr. David Lipsetz, the President and CEO of the Housing Assistance Council (HAC).

We thank each of you for taking the time to be here. Each of you will be recognized for 5 minutes to give an oral presentation of your testimony. Without objection, your written statements will be made part of the record.

Mr. Baier, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF MR. RICHARD BAIER, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NEBRASKA BANKERS ASSOCIATION**

Mr. BAIER. Good afternoon, Mr. Chairman, Ranking Member Cleaver, and members of the Subcommittee on Housing and Insurance. My name is Richard Baier. I am President and CEO of the Nebraska Bankers Association. Prior to that, I spent almost 9 years as head of economic development for the State of Nebraska where I was responsible for the State's affordable housing program. Maybe just as relevant to today's discussion, I also grew up in the small rural Kansas town of La Crosse, which has a population of 1,266 people.

Fortunately, Nebraska has had one of the lowest unemployment rates in our country for more than a decade. Conversely, many of our rural counties' peak population was prior to 1960. Growing employers in rural parts of our State of Nebraska routinely cite a lack of workforce housing as a reason that they are unable to grow jobs.

When evaluating the housing market in States like Nebraska, one factor that we often look at is the age of our housing stock. Recent research conducted by the Nebraska Investment Finance Authority notes that 19 percent of Nebraska's housing units were constructed before 1939. When the data is broken down even further via the Rural Urban Continuum Code, the data highlights that 28 to 36 percent of homes in Nebraska's most rural counties were built prior to 1940. Quite simply, rural Nebraska's housing stock, like that in other areas of the country, is past retirement age.

There are a number of unique challenges which limit the ability of rural areas to maintain and build new housing. A majority of the homes currently being built in our rural areas of Nebraska are large custom homes, which carry a very hefty price tag. Unfortunately, there is a clear lack of housing to accommodate our working families.

While it may seem counterintuitive to some, costs for building new housing units in rural areas are substantially higher when compared to similar units in urban areas, as referenced by Congressman Flood. These cost differences are driven by a myriad of economic and market factors. Fundamentally, Nebraska, like other rural areas of our great country, lacks supplies of material vendors, contractors, and subcontractors necessary to build new housing units.

Finally, there are very few buildable lots or developers who are willing to take on the substantial risk associated with building housing units in rural areas. In most cases, the only way to build available housing lots is through public-private partnerships, often driven by local units of government.

While well-intentioned, use of our existing government housing programs is severely limited because of differing rules and regulations, varying definitions, mismatched application cycles, and inconsistent qualifying income thresholds. As an example, Federal rules currently limit the Low-Income Housing Tax Credit Program to projects which service individuals with incomes below 60 percent of the area median income. Conversely, the National Housing Trust Fund is limited to those potential tenants with incomes below 30 percent of Area Median Income (AMI).

Rural housing developers, to be successful, routinely layer or stack these various programs to make their projects economically feasible. I have one regional developer that I know that estimates that the administrative burden of layering these various programs adds at least 25 percent to the overall cost of construction.

Current government housing programs also have substantial administrative and reporting burdens, as mentioned by Congressman Flood, such as lengthy and expensive environmental assessments. In response to input from member banks, the Nebraska Bankers Association created our Rural Workforce Housing Task Force in 2015, focused on finding new solutions to our State's rural housing crisis. The most notable solution resulting from this task force was the creation of our Rural Workforce Housing Investment Fund, which was passed and signed into law by then-Governor and now-Senator Pete Ricketts in 2017. Our fund provides State matching grants to local not-for-profit developers in counties with less than 100,000 inhabitants, with a focus directly on creating new owner-occupied and rental housing units. This fund uniquely does not have income restrictions but rather limits projects by the unit cost of construction.

One unique caveat of the Rural Workforce Housing Fund is that grant recipients cannot use any other Federal housing programs, thus restricting the limits that might be placed on these projects. To date, the State of Nebraska has awarded more than \$59 million in grants, which have been matched by \$36 million in local funds. Our member banks have contributed most of those dollars, and to date we have seen 331 new owner-occupied units, 655 rental units, and 670 units currently under construction.

Thank you for the opportunity to appear before you today, and I look forward to our dialog.

[The prepared statement of Mr. Baier follows:]

***TESTIMONY BEFORE THE***  
***HOUSE FINANCIAL SERVICES COMMITTEE***  
***HOUSING & INSURANCE SUBCOMMITTEE***  
***OFFERED ON BEHALF OF THE***  
***NEBRASKA BANKERS ASSOCIATION***  
***JUNE 12, 2025***

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## BACKGROUND

Good afternoon, Subcommittee Chair Flood, Ranking Member Cleaver, and members of the Subcommittee on Housing and Insurance. My name is Richard Baier. I currently serve as President and CEO of the Nebraska Bankers Association (NBA), a statewide trade association representing 154 member banks in the Cornhusker State. Prior to my current position, I spent almost nine years as head of economic development for the State of Nebraska where I was responsible for the state's housing strategy and affordable housing programs. Prior to my leadership role with the state, I was a practicing economic developer for three different Nebraska communities. Just as relevant to today's discussion, I grew up in the small rural community of La Crosse, Kansas, population 1,266, where my family operated a plumbing and HVAC business thereby offering me a hands-on education about the trials and tribulations of building homes in rural communities.

## QUANTIFYING THE PROBLEM

Fortunately, Nebraska has had one of the lowest unemployment rates in our country for more than a decade. Conversely, many of our rural counties have lost population every decade since the 1960s. Much of our state's growth has occurred in metro and micropolitan regions. Growing employers based in our state's rural areas outside of Lincoln and Omaha always cite a lack of local workforce housing as the primary reason they cannot create new jobs in their local respective communities.

A recent report by Moody's Analytics indicates Nebraska is experiencing a shortage of more than 120,000 housing units statewide. Similarly, the National Low Income Housing Coalition suggests that Nebraska is currently short 40,000 rental units. While reported housing vacancies are higher in Nebraska's rural counties, many of these units are not available for sale or rent because of the condition of the property. (*Moody's Analytics, The Good Life at the Wrong Price: Nebraska's Affordable Housing Challenges, July 2024*)

One common indicator related to housing market challenges is the age of the housing stock. Recent research conducted by the Nebraska Investment Finance Authority (NIFA) notes that 19% of Nebraska's housing stock was constructed before 1939. When the data is broken down further via the Rural Urban Continuum Code (RUCC), the data highlights that 28-36% of the homes in Nebraska's most rural counties were built prior to 1940 and 74% were constructed before 1980, despite full employment being experienced in these regions. (*Nebraska Investment Finance Authority: Rural Housing Barriers and Roadblocks, 2025*) Quite simply, rural Nebraska's housing stock – like that in other rural areas of the country – is past retirement age.

Today, I would like to focus my comments on four themes:

- A. Sharing the challenges of building quality housing stock in rural areas,
- B. Discussing the limitations and challenges associated with current affordable housing programs,

- C. Highlighting a unique, highly successful state program for tackling rural workforce housing in Nebraska, and finally,
- D. Offering a couple of new ideas as Congress looks to proactively address housing quality and availability in rural America.

#### A. UNIQUE CHALLENGES IN RURAL AMERICA

There are a number of unique challenges which limit the ability of rural areas to maintain and build adequate housing. A majority of the homes currently being built in rural areas are large, custom homes which carry a hefty price tag. The owners of these custom homes have the financial resources to construct and finance this type of dwelling. However, there is a clear lack of housing to accommodate working families. According to the 2021 American Community Survey, many of Nebraska's rural communities now have less than 2% of their housing stock available for sale or rent, thereby indicating the need for new housing supply to accommodate working Nebraskans. (*UNO Center for Public Affairs Research, Housing Availability and Quality in Nebraska, 2022*)

While it may seem counterintuitive to some, costs for building new housing units in rural areas are substantially higher when compared to similar units in urban areas. These cost differences are driven by a myriad of economic and market factors.

Fundamentally, Nebraska, like other rural areas of our great country, lacks an adequate supply of material vendors, contractors, and subcontractors to successfully build new housing units. In Nebraska, for example, there is only one true concrete business located west of our state's east-west midpoint. Similarly, rural counties often have only one or two highly trained tradespeople in certain specialties (i.e. plumbers and HVAC). These subcontractors often have more business than they want or need.

Costs associated with transporting materials to more rural locations within the state help to drive up overall housing construction costs. Research conducted by NIFA suggests that building the same housing unit in the small community of Valentine which is located nearly five hours outside of Lincoln and more than two hours off of Interstate 80, for instance, will cost at least 15% more than the same unit built in Grand Island, which is located along Interstate 80 and 1.5 hours west of Lincoln. (*Nebraska Investment Finance Authority, Shannon Harner, Executive Director Interview, June 9, 2025*)

Finally, there are very few buildable lots or developers willing to take on the substantial risk associated with building housing units in rural areas. The annual absorption rate for new lots is low, thereby prohibiting private sector developers from developing traditional subdivisions or neighborhoods like you might see in urban areas. Similarly, this slow absorption rate makes bank lending on a speculative basis extremely risky. In most cases, the only way to develop new lots is through public partnerships that include local municipalities, local foundations, state and federal programs and other stakeholders.



Likewise, there is also a limited number of developers willing to take on large-scale rural projects. These developers often lack the capital and staffing to build in multiple communities at the same time. A prominent rural developer told me recently that their firm could take on 30 more projects per year if they had unlimited funds and 20 new, highly trained staff members.

#### **B. LIMITATIONS OF CURRENT PROGRAMS**

Federal, state and even local municipalities have created an exorbitant number of government programs with the intention of maintaining and growing the housing stock in rural communities. While well intentioned, utilization of these programs is severely limited by differing rules and regulations, varying definitions, mismatched application dates, and inconsistent qualifying income thresholds.

As an example, federal rules currently limit the Low Income Housing Tax Credit (LIHTC) program to projects which service individuals with incomes below 60% of the Area Median Income (AMI) while the National Housing Trust Fund is limited to those potential tenants with incomes below 30% AMI. For HUD's HOME Program, low income is defined as up to 60-80% of AMI. Rural housing developers routinely "layer or stack" these various programs to make their projects economically feasible. One regional housing developer I know estimates that the administrative burden of layering these various government programs adds 25% to the overall cost of construction.

Current government housing programs also have substantial administrative and reporting burdens. Subdivisions and neighborhoods built in urban areas typically conduct a basic environmental assessment as required by their local municipality; public housing programs require a full environmental impact assessment which can take a substantial amount of time to complete, resulting in more overall carrying costs. Similarly, federal programs mandate compliance with items such as Davis Bacon. Again, this requirement may be well intended, but it does not work well in a rural county which may only have one or two specialized trades people/businesses.

As noted above, many of the current federal and state housing programs are directed to demand side activities such as first-time homebuyer grants. These programs, while admirable, can compound the housing challenges in rural communities. As an example, the community of Laurel, Nebraska, (population 948) recently had two potential homeowners that received a first-time homebuyer grant. Unfortunately, the community had only one home for sale at the time which resulted in a bidding war, thus raising the sale price of the existing home. An unintended consequence of this situation is that the new homeowner now faces higher property taxes and insurance costs in addition to a higher mortgage.

### C. NEBRASKA'S SOLUTION: NEBRASKA RURAL WORKFORCE HOUSING INVESTMENT ACT

In response to input from member banks, the NBA launched a Rural Workforce Housing Task Force in 2015 focused on finding private sector driven solutions to the state's rural housing crisis. The most notable solution resulting from this Task Force was the creation of the Rural Workforce Housing Investment Fund (LB 518) which was passed and signed into law by then-Governor, now Senator Pete Ricketts in 2017.

The RWHF, which is administered by the Nebraska Department of Economic Development, provides state matching grants to local non-profit developers or communities in counties with less than 100,000 inhabitants focused on building new owner-occupied and rental housing units; this fund does not have income restrictions but rather limits projects by the cost of construction. New home construction is limited to \$325,000 per unit while multi-family unit construction costs are capped at \$250,000 per unit. The Nebraska Legislature has routinely adjusted these cost limits to account for inflation. One unique caveat to the RWHF is that grant recipients cannot use any other federal or state housing programs that restrict the level of individual or household income to less than 100% of the AMI.

This novel matching grant program has produced quantifiable impacts since it launched in 2017. Grant recipients have leveraged RWHA funds to provide rental and purchase guarantees, rehabilitate second-story commercial units into housing, create low interest revolving loan funds, and support infrastructure, as examples. To date, the State of Nebraska has awarded more than \$59 million in RWHF grants which were matched by \$36.8 million in local funds. NBA-member banks have provided much of this local grant match.

Collectively, these funds have resulted in the development of 331 owner-occupied units and 655 rental units, plus an additional 678 units under construction. RWHF funds in the city of Columbus (population 24,464), for example, have led to the creation of 800+ new housing units. Demand for the program by not-for-profit developers and political subdivisions remains strong.

### D. OTHER POTENTIAL OPPORTUNITIES

As leaders of this Subcommittee and Congress look to understand and address Housing in the Heartland, I would like to take a moment to share several other specific concepts for your consideration:

1. The banking industry encourages support for H.R. 1822 - the Access to Credit for our Rural Economy Act of 2025 (ACRE) which would assist banks in offering lower cost mortgages to individuals buying homes in communities of less than 2,500 residents.
2. Consider consolidation of existing programs and align the regulations and restrictions between all federal housing programs.
3. Create paths within existing and new programs specifically focused on housing rehabilitation. The cheapest rural house to build is a newly renovated unit.

4. Allow federal programs to focus on the removal of blighted and substandard housing units, thereby freeing up lots which have existing city services such as water and sewer. This alternative represents a low-cost strategy to develop available lots.
5. Consider allowing the conversion of existing public housing units to be privatized and modernized utilizing Low Income Housing Tax Credits.
6. Finally, consider reallocating existing program resources to create a loan guarantee program for local banks to utilize in supporting consumer renovations, speculative construction, upper story remodels, etc. A template for this type of program already exists in the agricultural space with the Farm Service Agency guarantee program; special attention would be required to limit placing unreasonable administrative and reporting restrictions on this loan guarantee tool.

#### CONCLUSION

Thank you for the opportunity to appear before you today and to share Nebraska insights related to rural housing. Together, we can better leverage the collective power of the housing industry, community leaders and common-sense public programs to successfully address our rural housing needs!

Chairman FLOOD. Thank you, Mr. Baier.

Mr. Garcia, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF MR. DAVID GARCIA, POLICY DIRECTOR, UP FOR GROWTH**

Mr. GARCIA. Thank you, Chairman Flood, Ranking Member Cleaver, and the rest of the subcommittee for the opportunity to appear today to discuss the urgency of the Nation's rural housing crisis. My name is David Garcia. I am the Policy Director at Up for Growth and Up for Growth Action. We are a non-profit, non-partisan organization focused exclusively on increasing the supply of housing across the country. We have over 350 member organizations nationwide, which include builders, advocates, and national trade associations, many of whom actively build in rural communities, including members such as Habitat for Humanity of Lincoln, Nebraska, the Minnesota Housing Partnership, and the Homelessness and Housing Coalition of Kentucky. Today, my remarks will describe some of the unique challenges facing rural communities, their causes, and the potential solutions for housing.

Nationally, we estimate that the country is missing 3.79 million homes, which is a significant shortfall that is spreading to other areas of the country that have been previously considered affordable. Rural communities, as stated earlier, they are home to 60 million people, or one in five residents, and an increasing number of those people are becoming overwhelmed by trying to pay the rent or afford a home. An estimated 44 percent of rural renters are cost-burdened, and half of those renters are considered severely cost-burdened.

Buying a home has become more difficult as well. In the 3-years following the pandemic, home prices in non-metro areas grew by about 36 percent, which is much higher than in urbanized areas and these trends have not gone unnoticed. Recent polling shows that 80 percent of rural residents believe that housing affordability is deteriorating, and 76 percent agree that America faces a significant housing shortage, requiring immediate attention and increased housing construction.

A persistently high poverty rate in rural areas can exacerbate these challenges. More than one in five, or 22 percent, of rural households report an annual income below \$25,000, compared to 18 percent nationwide.

While the cost of living is comparatively lower in rural communities at times, lower wages can make it more difficult for residents to keep up with rising costs, making it harder for new housing development to pencil out, especially when considering the need to upgrade infrastructure such as water, sewer, power, as well as roads.

Many rural communities also lack capacity to approve and plan for new homes. In many places, there may be just a single planner to review applications, ensure compliance with community rules, and issue permits. This lack of capacity also means that the hard and expensive work of updating zoning and land use rules is out of reach for many communities.

Home building in rural America can be more expensive, as noted already a couple of times. Given the high cost of delivering building materials to rural construction sites and the lack of economies of scale given the smaller size of many rural developments, sourcing construction labor, contractors, and other labor is also difficult, which obviously in turn increases cost.

While these challenges are mostly unique to rural America; we also find that other obstacles are similar to those in larger cities. For example, restrictive zoning can limit the construction of different types of housing, such as manufactured housing or accessory dwelling units. Local opposition to new housing, which we commonly refer to as (Not-In-My-Back-Yardism) NIMBYism, can stall, shrink, or even halt new housing altogether, just as it does in urban areas.

Thankfully, there are bipartisan solutions that Congress can act on. Critical funding sources, such as the 30 percent basis boost for rural housing projects proposed in the Affordable Credit Improvement Act, can accelerate construction and preservation of homes. In addition, the Rural Housing Service Reform Act would bolster USDA's affordable housing programs, while the Neighborhood Homes Investment Act would incentivize home ownership through the rehabilitation of existing stock for moderate income home buyers.

The Road to Housing Act includes a provision to eliminate the HUD permanent steel chassis rule for manufactured housing, which would greatly reduce costs on the construction of an important housing solution for rural America.

Congress can also address the capacity gaps I mentioned earlier through targeted assistance through programs like those proposed in the Housing Supply and Frameworks Act and provide policy support in the to-be-introduced Housing Opportunities Made Easier Act, both of which are crucial to enabling rural communities to modernize outdated zoning and streamline and ramp up housing production.

All of these proposals enjoy bipartisan support, including from members here today, such as Chairman Flood, Ranking Member Cleaver, Member Pettersen. Such partnerships really offer us an opportunity to work together to deliver affordable, quality, and safe housing to all Americans, from the most rural towns to the largest cities.

I want to thank you again for the opportunity to contribute to today's hearing, and I look forward to continued dialog with the subcommittee.

[The prepared statement of Mr. Garcia follows:]



TESTIMONY BY  
DAVID GARCIA  
POLICY DIRECTOR  
UP FOR GROWTH ACTION

BEFORE THE  
HOUSE COMMITTEE ON FINANCIAL SERVICES  
SUBCOMMITTEE ON HOUSING, COMMUNITY DEVELOPMENT,  
AND INSURANCE

FOR A HEARING ENTITLED  
"HOUSING IN THE HEARTLAND: ADDRESSING  
OUR RURAL HOUSING NEEDS"

JUNE 12, 2025

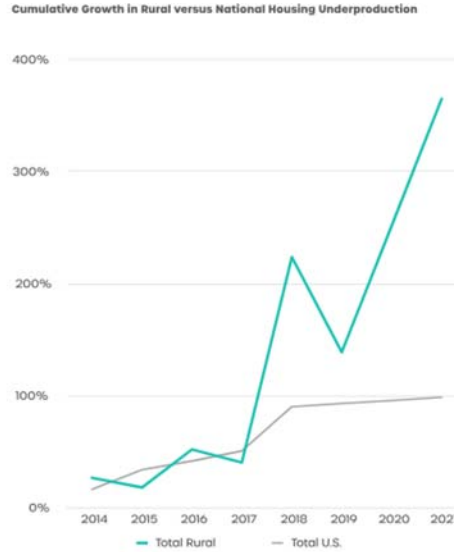
Thank you Chairman Flood, Ranking Member Cleaver, and members of the committee for the invitation to appear today before you to discuss the urgency of the nation's rural housing crisis.

My name is David Garcia and I serve as the Policy Director at Up for Growth Action, a mission-driven nonprofit advocacy organization committed to forging bipartisan solutions to America's housing shortage. I also serve as the Policy Director with Up for Growth, a 501(c)(3) policy association that convenes stakeholders, publishes original research, and develops policy recommendations. Up for Growth's member network totals more than 350 organizations nationwide, including builders, advocates, policymakers, and national trade associations. Many of our members work in rural communities and we hear directly from them about their housing supply and affordability challenges. These include members such as the Habitat for Humanity of Lincoln, Nebraska, the Minnesota Housing Partnership, and the Homelessness and Housing Coalition of Kentucky.

Today's hearing is timely given the escalating challenges faced by rural America. Of the 310 U.S. counties with high and persistent levels of poverty, 86% are rural, highlighting the need to look closely at how to support these communities.<sup>1</sup> My testimony today will outline the unique housing challenges confronting rural America, discuss their underlying causes, and propose actionable solutions that Congress can implement.

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<sup>1</sup> National Low Income Housing Coalition. (2024, May 20). Rural American Cannot Address Housing Needs Without Federal Investments. <https://nlihc.org/explore-issues/policy-priorities/rural-housing/>.



2023 Housing Underproduction in the U.S. Report, Up for Growth

Nationally, we estimate that the United States faces a severe shortage of 3.79 million homes,<sup>2</sup> a crisis that extends far beyond expensive coastal urban centers. Nearly 60 million Americans, or one in five U.S. residents<sup>3</sup> live in rural areas and are increasingly burdened by housing shortages and rising costs. Specifically, 44% of rural renters are cost burdened, meaning they spend over 30% of their income on rent. Half of these households are considered severely cost burdened as they pay over 50% of their income on housing alone. These challenges have intensified due to shifting migration patterns spurred by the rise in remote work in the aftermath of the COVID-19 pandemic. In 2023, nearly 60% of rural counties saw net positive migration,<sup>4</sup> a dramatic reversal from pre-pandemic trends when most rural areas faced declining populations. As a result, home prices in non-metropolitan areas grew approximately 36% over the three

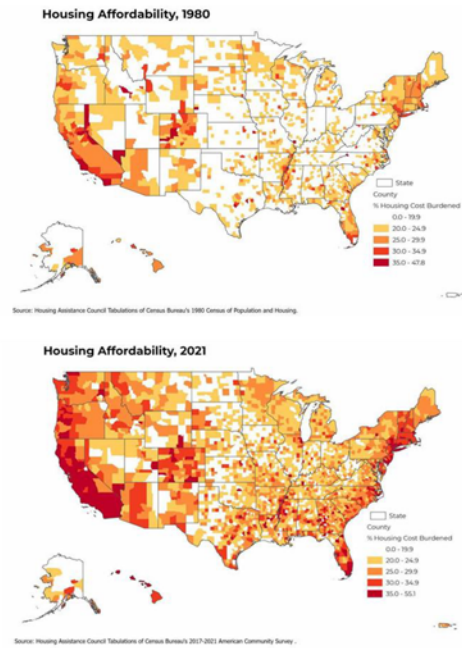
<sup>2</sup> Up for Growth, *2025 Housing Underproduction in the United States*. (Release Pending)

<sup>3</sup> U.S. Census

<sup>4</sup> Joint Center for Housing Studies of Harvard University. (2024). *The State of the Nation's Housing 2024*. <https://www.jchs.harvard.edu/state-nations-housing-2024>



years following the pandemic, significantly outpacing price increases in large and medium sized cities.<sup>5</sup>



#### 2023 Housing Underproduction in the U.S. Report

Rural residents are experiencing this worsening crisis firsthand. Recent polling shows that 80% of rural residents believe housing affordability is deteriorating, while 76% agree that America faces a significant housing shortage requiring immediate attention and increased housing construction.<sup>6</sup>

<sup>5</sup> Rural Areas Saw Disproportionate Home Price Growth During the Pandemic. Harvard Joint Center for Housing Studies, (2024) <https://www.jchs.harvard.edu/blog/rural-areas-saw-disproportionate-home-price-growth-during-pandemic>

<sup>6</sup> Turner, D., & Radosevich, J. (2024, October 9). Americans recognize housing affordability crisis, support new policies to fix the market and build more homes. Center for American Progress.

A persistently high poverty rate in rural areas exacerbates these challenges. More than one in five rural households (22%) earn less than \$25,000 annually, compared to 18% nationwide. While rural areas generally have lower living costs than larger communities, lower wages make it more difficult for residents to keep up with rising costs. Moreover, the comparatively lower income of rural residents also hinders the financial feasibility of building new housing. And rural communities typically have fewer resources to support traditional subsidized, deed-restricted affordable housing, further complicating efforts to alleviate the rural housing shortage.

Rural housing development faces unique barriers, especially concerning inadequate infrastructure. Essential upgrades to water, sewer, power, and road infrastructure are frequently necessary for new developments, but these improvements can be prohibitively expensive. Many rural communities rely on difficult-to-expand utilities, such as well as water or septic systems, which often limit community growth. Even the reliability of existing utility systems also presents a challenge due to their age and distance from central infrastructure.

Compounding these challenges is the limited planning and regulatory capacity in rural jurisdictions. Many rural communities simply lack the staff to update existing housing programs and policies or review and approve new housing proposals. These communities may only have a single planner who is responsible for reviewing applications, ensuring compliance, issuing permits, and granting occupancy certificates. This limited staff capacity often necessitates expensive outsourcing of planning tasks, meaning that the hard, and often expensive, work of comprehensive planning and zoning code updates — which is critical for growth — simply don't happen.

Moreover, the economics of rural housing production can be especially challenging. High transportation costs for construction materials and difficulty sourcing skilled labor drive up costs. And the smaller-scale projects typical of rural communities also rarely benefit from economies of scale, further inflating new housing's price tag.

While these challenges are mostly unique to rural America, we also find that other obstacles are similar to those in large and medium sized cities. For example, rural areas may also still rely on restrictive zoning and land-use regulations, much like more urban communities. Such restrictions, including limitations on manufactured housing and accessory dwelling units, significantly reduce the variety and affordability of housing options. Likewise, local opposition to

new housing, commonly referred to as NIMBYism, can stall, shrink, or even halt housing development altogether, just as it does in urban areas.

Thankfully, there are many bipartisan solutions that Congress can act on today. Critical funding sources, such as the 30% basis boost for rural housing projects proposed in the Affordable Credit Improvement Act, can significantly accelerate the construction and preservation of affordable homes. This provision alone could support part of the broader initiative to finance 1.6 million homes nationally over the next decade. In addition, the Rural Housing Service Reform Act would bolster USDA's affordable housing programs, while the Neighborhood Homes Investment Act would incentivize homeownership through the rehabilitation of existing housing stock for moderate income homebuyers.

Manufactured housing presents another opportunity for expanding rural housing affordability. Updating local zoning to allow factory-built homes as-of-right in more places and reforming the existing HUD building code, specifically removing outdated requirements such as the permanent steel chassis rule as proposed in the Road to Housing Act, would reduce costs, ensure predictability, and increase speed to market.<sup>7</sup>

Congress can further address capacity gaps across rural local governments through targeted technical assistance programs like those proposed in the Housing Supply and Frameworks Act, and direct policy implementation support in the to-be-introduced Housing Opportunities Made Easier Act, both crucial to enabling rural communities to modernize outdated zoning, land-use, and building codes to streamline and ramp out housing production.

All of these proposals enjoy broad bipartisan support, including from leaders such as Representatives Mike Flood of Nebraska and Brittney Pettersen of Colorado. Such partnerships illustrate a powerful opportunity: by coming together, we can ensure that affordable, quality, and safe housing becomes something within the reach of all Americans, from the most rural towns to our largest cities.

Thank you again for the opportunity to contribute this testimony today. We look forward to continued dialogue with this subcommittee to advance critical pro-housing policies to ensure a stronger, more affordable, and more prosperous future for all Americans.

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<sup>7</sup> Manufactured housing: the Ugly Duckling of Affordable Housing. Niskanen Center. April 2023.

Chairman FLOOD. Thank you, Mr. Garcia.

Mr. Maute, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF MR. IAN MAUTE, DIRECTOR OF DEVELOPMENT, BUCKEYE COMMUNITY HOPE FOUNDATION, ON BEHALF OF THE COUNCIL FOR AFFORDABLE AND RURAL HOUSING**

Mr. MAUTE. Thank you. Chairman Flood, Ranking Member Cleaver, and members of the committee, on behalf of the Council for Affordable and Rural Housing, known as CARH, we appreciate the opportunity to submit testimony to the committee. This statement outlines key issues impacting the rural multifamily housing industry and provides recommendations that will strengthen the Federal programs that preserve and expand affordable rental housing, as well as bring additional capital to increase the housing stock in rural communities across the country.

CARH is an industry trade association with headquarters in Alexandria, Virginia, representing the interests of for-profit and non-profit developers, owners, management companies, lenders, and investors who all participate in the affordable rental housing industry in rural America. My name is Ian Maute. I am the Director of Development for the Buckeye Community Hope Foundation, based in Columbus, Ohio. We are a non-profit corporation that develops and facilitates affordable housing for low-income families. I am also the current president of CARH.

Throughout rural America, there continues to be an overwhelming need for both affordable and decent housing. The lack of affordable housing reflects limited investments in these localities. Rural renters are more than twice as likely to live in substandard housing compared to people who own their homes. With lower median incomes and higher poverty rates than homeowners, many renters are simply unable to find decent housing that is also affordable.

While the demand for rental housing in rural areas remains high, the supply, particularly of new housing, has decreased. Neither the private nor public sector can produce affordable rural housing independently of the other. It needs to be a partnership.

The United States Department of Agriculture's Rural Development, or RD, Section 515 Rural Multifamily Housing and Section 514 Farm Labor Multifamily Properties, are essential for addressing affordable rural housing needs. Rental assistance, or RA, under the Section 521 program is essential for many families and elderly households residing in rural America.

At the same time, most federally supported multifamily properties are over 35 years old and need modernization. These properties have suffered from Federal funding shortages and statutory and regulatory barriers that make recapitalization either difficult or impossible.

Over the next decade, as many as 3/4 of all Section 515 mortgages will mature, and with it, the end of the Section 520 rental assistance contracts, straining over 250,000 families, elderly persons, without the ability to house themselves. Under current law, when a Section 515 mortgage expires, the Section 521 RA also ex-

pires. Therefore, it is critical to establish legislative authority to preserve the rental assistance after mortgage maturity. With roughly 75 percent of RD properties depending on Section 521 RA, this program is a financial backbone of rural housing.

The final appropriation legislation for Fiscal Year 2024 contains language that provided RD with authority to structure a demonstration program that decouples RA from the Section 515 program for 1,000 units and properties where a mortgage was set to expire in Fiscal Year 2024. CARH worked closely with RD on the implementation of the decoupling program, which is also known as Stand-Alone Rental Assistance, or SARA. The Fiscal Year 2025 continuing resolution authorized 1,000 units eligible for decoupling in the current fiscal year. We are very encouraged by the strong and growing participation in the SARA program, with eight properties consisting of 157 units enrolled in Fiscal Year 2024 and 17 properties with 403 units already confirmed for Fiscal Year 2025.

We are optimistic that this program, as it becomes more well-known, participation will continue to increase. However, permanent legislative authority remains essential to ensure that preservation can occur consistently and nationwide. CARH continues to support the passage of legislation that would allow for decoupling on a permanent basis.

I would like to thank Representative Cleaver for his support of the decoupling legislation in the previous Congress. We are hopeful that similar legislation will be introduced in this Congress.

The Low-Income Housing Tax Credit, also known as the Housing Credit Program, is a vital source for addressing affordable housing in rural communities. It helps bridge the gap between what the market provides and what market demands. Approximately 43 percent of Section 515 properties are financed with housing credits. Since its inception 36 years ago, approximately 3.7 million affordable rental homes or units have been produced.

In multifamily rental housing, the 1-year impact for building 100 apartment units is the creation of 161 local jobs with \$11.7 million in local income and \$2.2 million in local taxes and government revenue.

One challenge impacting the effectiveness of the Housing Credit Program in rural areas is the unresolved tax status of Fannie Mae and Freddie Mac. Uncertainty over these classifications under the Internal Revenue Code is compromising their ability to participate in multi-investor housing credit funds, which are essential to financing smaller rural deals. Allowing them to fully participate in multi-investor funds would greatly expand capital available for underserved areas.

CARH supports legislation that would clarify that government-sponsored enterprises are not subject to restrictions for purposes of housing credit investment.

CARH applauds the administration and Congress for advancing Opportunity Zone reforms that better target rural communities, the bill's requirement that 30 percent of new zones be rural, and that 50 percent of capital directly support housing, jobs, and infrastructure ensures that rural areas are——

Chairman FLOOD. I am sorry, Mr. Maute——  
Mr. MAUTE. Yes.

Chairman FLOOD [continuing]. your time has expired.

Mr. MAUTE. Thank you.

Chairman FLOOD. We would encourage you to submit that for the record——

Mr. MAUTE. Sure.

Chairman FLOOD [continuing]. which we will gladly accept.

Mr. MAUTE. Sure thing.

[The prepared statement of Mr. Maute follows:]

**TESTIMONY OF IAN J. MAUTE, PRESIDENT  
COUNCIL FOR AFFORDABLE AND RURAL HOUSING**

**UNITED STATES HOUSE SUBCOMMITTEE ON HOUSING AND INSURANCE**

**June 12, 2025**

Chairman Flood, Ranking Member Cleaver, and members of the Committee, on behalf of the Council for Affordable and Rural Housing (also known as CARH), we appreciate the opportunity to submit testimony to the Committee. This statement outlines key issues impacting the rural multifamily housing industry and provides recommendations to strengthen the federal programs that preserve and expand affordable rental housing in rural communities across the country.

CARH is an industry trade association with headquarters in Alexandria, Virginia, representing the interests of for-profit and non-profit builders, owners, developers, management companies, lenders and investors who all participate in the affordable rental housing industry in rural America. My name is Ian Maute, and I am the Director of Development for the Buckeye Community Hope Foundation, based in Columbus, Ohio, a nonprofit corporation, developing and facilitating affordable housing for low-income families. Since 1991, Buckeye has placed over 130 projects in service across 12 states including Florida, Georgia, Illinois, Indiana, Kentucky, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. I am also the current President of CARH.

***Affordable Rural Rental Housing Is A Necessity***

Throughout rural America, there continues to be an overwhelming need for both affordable and decent housing. The lack of affordable housing reflects the limited investment in these localities. Rural renters are more than twice as likely to live in substandard housing compared to people who own their own homes. With lower median incomes and higher poverty rates than homeowners, many renters are simply unable to find decent housing that is also affordable. While the demand for rental housing in rural areas remains high, the supply, particularly of new housing, has decreased. Neither the private nor the public sector can produce affordable rural housing independently of the other; it needs to be a partnership.

***Key Tools - Rural Development Rental Housing Programs and the Housing Credit Program***

The United States Department of Agriculture's Rural Development (RD) Section 515 rural multifamily housing and Section 514 farm labor multifamily properties are essential for addressing affordable rural housing needs—both through preservation and new production. Rental assistance (RA) under the Section 521 program is essential for many family and elderly households residing in rural America. At the same time, most federally supported multifamily properties are 35+ years old and need modernization. These properties have suffered from federal funding shortages and statutory and regulatory barriers that make recapitalization either difficult or impossible.

Rural housing development and investment are largely dependent on only a few sources of funding for construction and preservation of the existing housing stock. The Low-Income Housing Tax Credit (aka Housing Credit) program is a vital source for addressing affordable housing in rural communities. The Housing Credit program has worked successfully since its creation in 1986. It helps to bridge the gap between what the market provides and what the market demands. Homeownership is often either out of reach or not financially viable for many residents in rural communities. Furthermore, the cost of providing any new housing or rehabilitating existing housing to current standards without public-private assistance results in rents or other homeownership costs that are simply too expensive for most low-income Americans in rural communities. The Housing Credit program allows non-profit and for-profit companies to work together with local and state governments to raise private equity and to help bridge the financial gap. In turn, the savings are passed on to the residents in the form of lower rents and affordable rental housing. Approximately 43% of Section 515 properties are financed with Housing Credits.

#### ***Already Losing Valuable Affordable Housing***

The Section 514 and 515 portfolios are by and large more than 30 years old and at risk of becoming obsolete. In 2002, RD estimated that 4,250 Section 515 properties with 85,000 units “will physically deteriorate to the point of being unsafe or unsanitary within the next 5 years.” At that time, RD estimated it would need \$850 million to maintain just this portion of the portfolio, and that as much as \$3.2 billion will be required for portfolio-wide rehabilitation. Overall, little progress has been made since 2002. Adjusted for inflation, the 2002 \$3.2 billion estimate is now approximately \$5.6 billion, and growing each year that aging assets are not rehabilitated. In 2016, RD contracted for its own updated capital needs study, which confirmed the existence of significant and continued deferred maintenance. At the current rate of affordable housing properties exiting the program, we encourage the prioritization of the preservation of existing properties ahead of new construction, as it is much more cost effective to complete a substantial rehabilitation compared to the cost of building new.

Maturing mortgages have overtaken prepayments as the most pressing issue facing the industry. Over the next decade, as many as three-quarters of all Section 515 mortgages will mature, and with it the end of related Section 521 RA contracts, stranding over 250,000 families and elderly persons, leaving them without the ability to house themselves. With roughly 75% of RD properties depending on Section 521 Rental Assistance, this program is the financial backbone of rural housing. Under current law, when a Section 515 mortgage expires, Section 521 RA also expires. Therefore, it is critical to establish legislative authority to preserve rental assistance after mortgage maturity. The final appropriation legislation for FY 2024 contained language that provided RD with authority to structure a demonstration program that “decouples” RA from the Section 515 program for 1,000 units in properties where a mortgage was set to expire in FY 2024. While decoupling Section 521 RA from the Section 515 loan is different from what HUD calls “decoupling”, it would put the RA contracts on the very logical path to being an important preservation tool. CARH worked closely with RD on the implementation of the decoupling pilot program, which is also known as the “Stand-Alone Rental Assistance” program (aka SARA). The FY 2025 continuing resolution authorized 1,000 units eligible for decoupling in the current fiscal year. We are very encouraged by the strong and growing participation in the SARA program, with 8 properties (157 units) enrolled in FY 2024 and 17 properties (403 units) already confirmed for



FY 2025 demonstrating meaningful interest in preserving affordability through long-term commitments. CARH and its members look forward to building on this progress as the program enters its second year of implementation. CARH appreciates the efforts of both the Administration and Congress to implement the decoupling pilot program, which represents meaningful progress toward preserving the rural multifamily housing portfolio.

However, permanent legislative authority remains essential to ensure that preservation can occur consistently, predictably, and nationwide. CARH continues to support the passage of legislation that would allow for decoupling on a permanent basis. S. 885, the “Strategy and Investment in Rural Housing Preservation Act of 2025”, has been introduced by Senators Jeanne Shaheen and Jerry Moran. Additionally, S. 1260, the “Rural Housing Service Reform Act of 2025”, introduced, by Senators Tina Smith and Michael Rounds would also allow for permanent decoupling, and preservation of this vital housing stock for rural communities across the country. I would like to thank Representative Cleaver for his support of the decoupling legislation in the previous Congress. We are hopeful that similar legislation will be re-introduced in this Congress. We stand ready to assist the Committee with any feedback or advocacy to help advance these efforts.

Portions of the Section 515 portfolio are supported by project-based Section 8 subsidies or serve residents who utilize tenant-based Section 8 housing choice vouchers, particularly in properties without Section 521 Rental Assistance. CARH supports maintaining strong project-based and tenant-based Section 8 programs as essential components of the rural housing safety net.

#### ***Continue Efforts to Modernize the Housing Credit***

Rural housing construction and preservation projects have access to only a few funding sources. Among them, the Housing Credit program stands out as a vital and effective tool. It is narrowly targeted and exemplifies the best of the public-private partnership between government, local communities, and the private sector.

Since its inception 36 years ago, the Housing Credit program has created approximately 3.7 million affordable rental homes serving over 8 million households across this country. In multifamily rental housing, the one-year impact for building 100 apartment units is the creation of 161 local jobs, with \$11.7 million in local income and \$2.2 million in local taxes and government revenue. This important housing resource creates a positive, broad-based economic benefit that includes jobs, income and taxes in industries such as manufacturing, trade, and services. Affordable housing not only creates jobs directly but also facilitates job growth.

One challenge impacting the effectiveness of the Housing Credit program in rural areas is the unresolved tax status of Fannie Mae and Freddie Mac. Uncertainty over their classification under the Internal Revenue Code is compromising their ability to participate in multi-investor Housing Credit funds, which are essential to financing smaller rural deals. Unlike banks, which often invest to meet Community Reinvestment Act goals and tend to concentrate in urban areas, government-sponsored enterprises are guided by “Duty to Serve” requirements that direct investment to rural communities. Allowing them to fully participate in multi-investor funds would greatly expand capital

available for underserved areas. CARH supports S. 1603, bipartisan legislation introduced by Senators Moran and Warner, which would clarify that government-sponsored enterprises are not subject to these restrictions for purposes of Housing Credit investment, thereby unlocking critical capital for rural housing.

#### ***Affordable Housing Credit Improvement Act***

CARH supports H.R. 2725, the Affordable Housing Credit Improvement Act of 2025, introduced by Representatives Darin LaHood, Suzan DelBene, Claudia Tenney, Don Beyer, Randy Feenstra, and Jimmy Panetta. There were 114 original bipartisan cosponsors when the legislation was introduced and now has 142 cosponsors. S. 1515 is companion legislation introduced in the Senate by Senators Todd Young, Maria Cantwell, Marsha Blackburn, and Ron Wyden, as well as 26 other original bipartisan cosponsors. Both bills would further strengthen and expand the Housing Credit and Housing Bond programs so that rural housing preservation and new construction can take place. The Affordable Housing Credit Improvement Act, would make a variety of changes and enhancements to the programs including increasing the Housing Credit authority by 50 percent, phased in over two years. States would have the ability to provide up to a 30% basis boost to properties in rural areas if needed for financial feasibility. Additionally, the legislation includes an increase to the population cap for Difficult Development Areas, which are areas with high construction, land, and utility costs relative to the area's median gross income. Housing Credit properties located in these areas are allowed to increase their eligible basis by 30% for new construction and rehabilitation costs allowing for a correspondingly larger maximum housing credit allocation. These provisions are integral to furthering the preservation of the rural housing portfolio. CARH urges the passage of this critical legislation.

CARH is also encouraged that key provisions from the Affordable Housing Credit Improvement Act were included in the most recent version of the reconciliation bill, including the phased-in increase to Housing Credit authority, enhanced basis boosts for rural properties and Difficult Development Areas. These inclusions reflect a clear recognition by Congress of the critical role the Housing Credit plays in addressing rural America's affordable housing crisis. CARH strongly supports the inclusion of these provisions in reconciliation and urges their preservation through the bill's final passage.

#### ***Opportunity Zones***

CARH applauds the current Administration and Congress for recognizing the vital role that Opportunity Zones could play in revitalizing low-income rural communities. The reconciliation bill's reforms mark a substantial step forward in targeting capital to the areas that need it most particularly rural communities often overlooked by traditional private investment.

CARH strongly supports the bill's new requirement that at least 33% of new Opportunity Zones designated must be located in rural areas, ensuring that rural communities are not just eligible, but prioritized. This recognition is critical to closing the persistent development gap between urban and rural markets.

In addition, the bill introduces a 50% threshold requiring that at least half of Opportunity Zone capital raised for any project be used for activities that directly support housing, job creation, or essential community infrastructure. It also proposes lowering the substantial improvement threshold for existing properties in rural Opportunity Zones from 100% to 50% of the property's acquisition basis, making it more feasible to reinvest in and preserve existing structures. CARH strongly supports these provisions, which will help ensure that Opportunity Zone investments result in tangible, long-term benefits for residents—not just land speculation or short-term returns.

***Preservation of the Existing Multifamily Mortgage Portfolio***

The Section 515 direct loan program and its one percent effective interest rate provides a unique tool to preserve affordable housing in rural communities. The Administration proposed \$50 million for the Section 515 program versus \$60 million under the FY 2025 CR level. Ongoing funding is critically needed to address housing finance needs in impacted communities and provide a lifeline resource to help existing properties. Without continued and enhanced investment in Section 515, many rural communities risk losing their only source of affordable rental housing—leaving seniors, families, and farmworkers with no viable alternatives.

**We continue to support efforts that would provide \$1 billion for the Multifamily Housing Preservation and Revitalization (MPR) Demonstration Program.** Funding for this portfolio will not only provide for the extremely low-income families and elderly residents but will also improve infrastructure and create jobs throughout rural America.

Under the Administration's proposed budget, the MPR program would be funded at \$15 million versus the \$34 million under the FY 2025 CR level. The MPR program has been a demonstration program since 2006. **CARH supports making the MPR program a permanent program.**

***Expanding Multifamily Loan Credit Through Section 538 Guaranteed Loan Program***

CARH greatly appreciates the support shown for the fee-based, revenue neutral Section 538 Guaranteed Rural Rental Housing program. We believe that the Section 538 program is proving to be a critical housing tool, at no cost to the government. **CARH supports the Administration's proposal that would provide \$400 million in loan authority for the Section 538 program in FY 2026.** Expanding the program will preserve the pipeline, and more than that, it will allow lenders and borrowers to look at the program as having material capacity to help expand their rural housing credit needs.

The Section 538 program is also poised to serve as a strong preservation tool for Section 515 properties undergoing mortgage maturity and decoupling. By allowing for refinancing in tandem with Rental Assistance preservation, Section 538 can help stabilize at-risk properties and extend their affordability for the long term.

CARH has recommended several regulatory changes to maximize the program's effectiveness, including increasing the allowable loan-to-cost ratio from 70% to 90%, reducing the minimum debt service coverage ratio from 1.15 to 1.11 to align with HUD standards, and extending

amortization periods from 40 to 50 years. These changes would make the program more flexible and attractive, particularly for preservation deals that require nuanced financing structures.

CARH also supports legislative action to clarify and expand RD's authority to allow Section 538 financing to be used for the refinancing of existing mortgage loans related to prior construction or acquisition—a change that would help modernize aging properties and support long-term preservation efforts.

### ***Streamlining RD and HUD Programs***

At the request of both RD and HUD, CARH compiled and submitted detailed recommendations earlier this year focused on reducing regulatory burdens and improving the efficiency of federally assisted housing programs. These recommendations were developed in close consultation with CARH's national membership made up of owners, developers, managers, and lenders who engage daily with the practical challenges of delivering and preserving affordable housing in rural America.

The recommendations target specific reforms that align with existing handbook policies and regulatory authority—meaning they can be implemented without the need for new legislation. The proposals focus on improving the Section 515 property transfer process, streamlining reserve account access, simplifying budgeting and audit requirements, and encouraging the use of Memorandums of Understanding between RD, HUD, and State Housing Finance Agencies to align oversight and reduce duplication.

Notably, the recommendations include reforms to outdated environmental review procedures that currently delay urgently needed rehabilitation in rural communities. CARH proposes exempting minor rehab work from NEPA reviews and allowing agencies to rely on existing environmental assessments conducted by Housing Credit allocating agencies or HUD. These reforms would reduce processing times and free up resources while still maintaining appropriate safeguards—striking the right balance between preservation and progress.

CARH also offered feedback on the Build America, Buy America (BABA) requirements. While BABA is a well-intentioned effort to strengthen domestic supply chains and support American manufacturing, its current implementation has posed unique challenges for rural and small-scale affordable housing projects. CARH recommended targeted exemptions for rural developments, simplified compliance procedures to reduce barriers for local contractors, and clearer standards around design professional liability. These changes would help ensure BABA's goals are met without unintentionally stalling urgently needed rural housing production.

CARH appreciates that both RD and HUD requested this input and have expressed openness to stakeholder-led reforms. For the Committee's reference, CARH's letters outlining

recommendations to streamline RD and HUD programs are enclosed herein as Schedule I. We believe these recommendations are in line with priorities of the current Administration and Congress to remove unnecessary regulatory barriers to increasing the affordable housing stock across our country.

### ***HOME Partnership Program***

The HOME Investment Partnerships Program, administered by HUD, is also a key component of rural housing recapitalization. HOME uniquely empowers states and localities to address the housing needs they determine most urgent—whether related to homelessness, rental housing, or disaster recovery. Its flexibility allows it to be used effectively in both rural and non-rural areas, making it an essential resource for filling financing gaps and responding to local conditions.

The HOME program is a vital resource in financing numerous affordable housing developments, many of which would not be able to go forward and many of which would not provide housing for low-income families without this important program. HOME does not replace other financing resources committed to rural areas but is an important gap financing program. States and localities leverage HOME by generating almost four billion dollars of other public and private funding to HUD.

The FY 2025 CR provides \$1.25 billion for the program. CARH supports a funding level of at least \$1.5 billion for the HOME program.

However, it is important to distinguish between Participating Jurisdictions (PJs) and non-PJs under the HOME program. While many large cities and counties receive a direct allocation of HOME funds as PJs and control their own program priorities, most rural communities do not. These non-PJs must instead rely on state-level allocations, often competing against better-resourced urban counterparts for limited funding. As a result, rural developers frequently face delayed timelines, inconsistent access to funds, and misaligned priorities that do not reflect the urgent housing needs on the ground. This structural dynamic puts rural areas at a disadvantage, despite HOME's flexibility on paper. CARH urges Congress to recognize this disparity and support reforms that ensure equitable access to HOME funding for non-PJs especially in deeply underserved rural communities where the need is high and the capacity to navigate complex funding structures is limited.

To further modernize the HOME program for rural America, CARH recommends several commonsense reforms. These include establishing a dedicated rural set-aside within state allocations, streamlining the application process for small-scale rural projects, and extending commitment and expenditure deadlines to reflect the longer timelines typical in rural development. Additionally, HUD should align HOME requirements more closely with RD and Housing Credit programs to reduce administrative burden and encourage coordinated financing. These updates would make the HOME program more accessible, flexible, and impactful for the rural communities that need it most.

*Administrative Steps Needed*Technology Upgrades Needed for RD

CARH continues to be supportive of RD's efforts to obtain funds to upgrade its very outdated IT systems and keep current with stakeholder's needs. We appreciate that the Administration's FY 2026 budget proposal includes \$75 million for technological improvements for RD, which reflects a significant step toward modernizing the agency's operations. IT upgrades are necessary for the Agency to meet the current demand of requests being processed throughout the various departments, especially prepayment and transfers. Currently, even basic functions—such as allowing property owners and borrowers to check their current loan balances online—are not available due to the antiquated nature of RD's systems. It is also critical that IT funding be specifically allocated to the multifamily housing division. In the past, IT resources have not been directed to multifamily, leaving key systems outdated and slowing down essential processes like rent approvals, ownership transfers, and servicing. Without dedicated investment in multifamily IT infrastructure, the backlog of transactions and communications delays will undermine the overall efficiency of the program.

Increased staffing for the Multifamily Housing (MHF) office

CARH strongly supports increased staff resources for RD's Multifamily office. The Multifamily staff is comprised of dedicated, committed professionals doing their best under very difficult circumstances. Our members interact regularly with Multifamily teams across the country, and it is clear that additional capacity is urgently needed to manage rising workloads, address staff retirements and vacancies, and support the growing demand for preservation tools. Staffing shortages have led to customer service challenges, including processing delays and administrative errors. Without meaningful investment in staffing, even well-designed programs will struggle to meet their goals and serve the communities that rely on them.

On behalf of CARH, we thank the Committee for the opportunity to share our perspective on the challenges and opportunities facing rural multifamily housing. With a few targeted and practical changes, Congress can strengthen the public-private partnership that has long supported affordable housing in rural America. We stand ready to work with the Committee, Rural Development, and our partners in the housing community to advance solutions that preserve and expand this critical housing stock for the families, seniors, and workers who depend on it.

Schedule I

Letters to RD and HUD Outlining Recommendations to Streamline Housing Programs



Council for Affordable and Rural Housing  
*Serving the Affordable Housing Needs of Rural America*

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March 28, 2025

Secretary Brooke Rollins  
 U.S. Department of Agriculture  
 1400 Independence Ave., S.W.  
 Washington, DC 20250

Re: CARH Recommendations to Streamline Rural Development Programs

Dear Secretary Rollins:

The Council for Affordable and Rural Housing (CARH) appreciates the opportunity to provide recommendations on how Rural Development (RD), together with the industry, can help streamline and reduce regulatory barriers for the critical housing programs that RD administers such as the Section 515 Program, Section 521 Rental Assistance, and Section 538 Guaranteed Rural Rental Housing Program. All of these programs are crucial to providing safe and stable housing for low-income families, seniors, and farm workers in rural America.

CARH is a national organization representing rural housing providers, developers, lenders, investors, and managers dedicated to ensuring safe, decent, and affordable housing remains available in rural communities. Since 1980, CARH has served as the nation's premier association for participants in the affordable rural housing profession.

Rural Development was established in part to fill gaps left by conventional lenders in rural communities—particularly where private capital was unavailable for both homeownership and affordable rental housing. The Section 514 and Section 515 rural rental housing programs are the backbone of affordable multifamily housing in rural America. Created under the Housing Act of 1949, these programs were designed to provide affordable rental housing in communities where private financing was unavailable. Today, they support more than 12,000 properties nationwide, accounting for over 400,000 units of affordable housing. Every state has Section 514 and 515 properties, highlighting the national scope of this issue. However, most of these properties were built more than 40 years ago. Without reinvestment, they will disappear, leaving rural renters with no viable housing options.

Equally important is the Section 521 Rental Assistance (RA) program, which offers deep subsidies to the lowest-income rural renters. The average income of residents in Section 514 and 515 properties is just over \$16,000 per year, with those receiving RA earning even less. These households cannot absorb rent increases or compete in the private market without support. Notably, Section 521 RA operates at roughly half the per-unit cost of comparable federal rental programs, efficiently serving the nation's most vulnerable renters.

Rural housing has never been solely a government-driven effort it has always been a partnership between the public and private sectors. The Section 538 loan program is a prime example of how the private market and government can work together to create affordable housing



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without direct federal subsidies. Likewise, the Low-Income Housing Tax Credit (LIHTC), a program enacted under President Reagan, has leveraged private investment to develop and preserve affordable housing across the country, including in rural areas. These programs prove that investment in rural housing is not about expanding government but about using smart, market-driven solutions to address real needs. Without these programs, many rural seniors, working families, and vulnerable residents would be displaced from their local communities, often forced to relocate to metropolitan areas where affordable options are also scarce. The preservation of rural rental housing is a matter of community stability and economic viability.

At a time when housing needs in rural America are growing and existing assets are aging, regulatory improvements are essential to ensure these programs can meet the moment. For years, CARH members have worked to ensure the continued success of the valuable private-public partnership these programs were designed to deliver to rural Americans. However, we believe there are aspects of these programs where their effectiveness is being limited by regulatory burdens, inefficient administrative processes, and outdated policies that can limit participation from developers, lenders, owners, management companies and private investors. Delays in approvals and duplicative compliance requirements create additional costs that ultimately deter investment in rural affordable housing. The following recommendations were provided by CARH members whose core business is developing, financing, managing and owning, affordable multifamily housing in rural communities nationwide.

#### **The Role of MOUs in Improving Efficiency**

One of the most effective ways to address duplicative compliance requirements and regulatory misalignment across different federal, state, and local agencies is through Memorandums of Understanding (MOUs) between RD, the Department of Housing and Urban Development (HUD) and State Housing Finance Agencies (HFAs). These agreements could:

- Streamline compliance and approval processes, ensuring consistency between federal and state agencies.
- Reduce redundancies in physical inspections, rent calculations, approval of management agents/fees and financial reporting, making program administration more efficient.
- Align environmental review processes by allowing third-party assessments from HUD and LIHTC agencies to be accepted by RD instead of requiring a separate review.
- Ensure that utility allowances, property management approvals, and fee structures are standardized, eliminating conflicting requirements that delay approvals.
- Facilitate the realignment of the Office of General Counsel (OGC), ensuring attorneys work within their respective regions. This regional focus will improve efficiency and responsiveness, allowing attorneys to better understand and address local issues.

In addition to establishing MOUs, RD should implement targeted regulatory improvements in transfers, reserve accounts, budgeting, environmental reviews, evictions, inspections,

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construction oversight, financing terms, and utility allowances. The following recommendations align with existing RD handbook policies while proposing critical reforms to reduce administrative burdens, enhance efficiency, and encourage long-term investment in rural housing programs. Each section below references the relevant federal regulations and handbooks (with hyperlinks) which are RD's internal guidance documents that implement the applicable regulations.

#### **1. Transfers of Ownership (7 CFR 3560.406, [RD HB-3-3560, Chapter 7](#))**

The Section 515 property transfer process is one of the most cumbersome and time-consuming challenges facing rural housing developers and owners. The lack of standard processing timelines, excessive underwriting requirements, and inconsistent guidance across RD offices causes unnecessary delays that hinder transactions and deter investment.

##### **Recommended Changes:**

- Expedite the Section 515 property transfer process by reducing redundant documentation and ensuring timely RD review. Transactions can take up to 12 months or longer, creating financial uncertainty for buyers and sellers.
- Eliminate RD underwriting for transfers where no new RD debt is involved, allowing lenders, investors, and state agencies to conduct due diligence. RD underwriting adds unnecessary complexity and delays, especially when no new debt is involved.
- Rely solely on the Project Assessment Tool (PAT) for deal-specific information. Eliminate the need to complete additional forms when the required information is already available in the PAT. This will reduce redundancy and streamline the application process.
- Consolidate RD forms and certifications into a single certification requiring only one signature, eliminating duplicative paperwork. Multiple forms and signatures create administrative burdens and slow down the process.
- Remove environmental review requirements for projects with no new RD debt, aligning with HUD and LIHTC environmental policies. Environmental reviews for projects with no new debt are redundant and delay project timelines.
- If no new RD funds are involved in an acquisition/rehab project, eliminate architectural reviews, unless requested by the developer. Architectural reviews for projects without new RD funds add unnecessary steps and delays.
- Remove RD oversight of pay app/draw reviews unless RD financing is included, reducing unnecessary intervention in privately financed transactions. RD oversight in privately financed transactions adds complexity and delays without providing additional value.

On September 6, 2023, CARH circulated a memo to RD entitled "Improvements to Chapter 7 Transfer Application Process" which provides a detailed set of recommendations on how to further streamline the transfer process. The memo is enclosed herein as [Schedule A](#).

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## **2. Reserve Account Utilization (7 CFR 3560.306, [RD HB-2-3560, Chapter 4](#))**

RD's Reserve for Replacement (RR) approval process is overly restrictive, limiting the ability of property owners and management agents to conduct proactive maintenance and make necessary repairs without delays.

### **Recommended Changes:**

- Increase allowable RR deposits to \$600 per unit per year without requiring RD approval, providing a Capital Needs Assessment (CNA) and rent study justify the increase. Higher deposits allow for better maintenance and repairs, ensuring property quality and safety.
- Allow automatic approval for reserve withdrawals under \$10,000, expediting urgent property repairs and routine maintenance. Quick access to funds is crucial for addressing urgent repairs and maintaining property standards. Approvals required before payment, delays payments to vendors.
- Simplify the process for increasing reserve contributions. Currently, property owners must undergo a lengthy approval process to justify higher RR deposits, which can delay necessary maintenance and repairs. By streamlining this process, RD can allow property owners to increase their RR contributions more efficiently. This change will enable proactive maintenance and ensure properties remain in good condition without delays.
- Eliminate the Reserve Account Deposit Account Control Agreement requirement, which unnecessarily restricts access to funds and delays emergency repairs. Removing this requirement ensures timely access to funds for critical repairs.

## **3. Budgeting and Financial Reporting (7 CFR 3560.205, [RD HB-2-3560, Chapters 7](#))**

### **Recommended Changes:**

- Auto-approve annual budget rent increases below a certain threshold (i.e. OCAF), reducing unnecessary manual reviews and unpredictability from office to office. Automatic approvals would streamline the process and reduce administrative burdens while creating predictable rent increases for property owners to better forecast a project's operating income.
- Establish a revised threshold for budget changes that require RD approval, allowing greater flexibility in property financial management. Higher thresholds provide more autonomy and efficiency in managing property finances and will allow RD staff to prioritize review for larger budget items being requested.
- Allow properties to budget for bad debt, enabling them to properly account for uncollected rent and financial losses. Accurate budgeting for bad debt ensures financial stability and realistic financial planning.

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- Eliminate RD's review of annual audits if other federal or state programs already require compliance audits, reducing duplicative oversight. Reducing duplicative audits saves time and resources, focusing efforts on essential reviews.

#### **4. Environmental Review Exemptions (7 CFR 1970)**

##### **Recommended Changes:**

- Exempt minor rehabilitation work from NEPA reviews (i.e. installing French drains to improve drainage, fixing leaks or replacing shingles on roofs, repairing or replacing sections of damaged sidewalks, and upgrading heating, ventilation, and air conditioning systems). These types of projects are localized and do not significantly alter the environment, making extensive reviews unnecessary. If environmental reviews were already conducted when the property was first placed in service, it is duplicative and inefficient to require another review for minor rehab work that does not change the property's use or footprint.
- Allow third-party environmental assessments from HUD and HFAs that administer the LIHTC program to satisfy RD's requirements, eliminating unnecessary duplication. Accepting third-party assessments streamlines the process and reduces redundant reviews.

#### **5. Evictions and Compliance (7 CFR 3560.152 & 7 3560.158, [RD HB-2-3560 Chapter 6](#))**

##### **Recommended Changes:**

- Evictions should be governed by state-specific laws as state laws are tailored to local conditions and provide a more appropriate framework for managing landlord-tenant relationships. Aligning with state laws will simplify the eviction process and reduce confusion.
- Remove the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) 30-day notice requirement before filing for eviction, aligning RD policy with state landlord-tenant laws.
- Extend the late certification penalty deadline from the 10<sup>th</sup> to the 15<sup>th</sup>, preventing resident displacement over minor administrative delays. Extending the deadline provides residents with more time to comply, reducing unnecessary evictions.
- Permit properties to collect RA for three months after recertification expires, following HUD's best practices. Allowing RA collection ensures financial stability during recertification periods.

#### **6. Streamlining Physical Inspections (7 CFR part 3560, [RD HB-2-3560, Chapter 9](#))**

##### **Recommended Changes:**

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- Standardize RD inspections with HUD NSPIRE and LIHTC standards, reducing duplicative property inspections. Standardized inspections reduce redundancy and ensure consistency across programs.
- Utilize MOUs to streamline inspection processes. MOUs between RD, HUD and LIHTC administrators can help coordinate inspection schedules and standards, ensuring one agency's inspection is accepted by others. This approach reduces the number of inspections required and minimizes disruption for property owners and residents.

#### **7. Construction and Rehabilitation ([USDA RD Instruction 1924](#))**

##### **Recommended Changes:**

- Eliminate USDA RD Instruction 1924 for the renovation of existing projects, aligning RD's construction oversight with LIHTC and state building codes. Aligning oversight with existing codes reduces complexity and streamlines project approvals. These regulations are primarily focused on new construction and should not be applied to the renovation of existing projects.
- Eliminate RD's review of insurance loss claims. Currently, RD's involvement in reviewing insurance loss claims adds an extra layer of oversight, causing delays in the resolution process. By eliminating RD's review, property owners can work directly with insurance companies to expedite claim settlements, ensuring timely repairs and minimizing disruptions for residents. This change will reduce administrative burdens on both RD and property owners, allowing for a more efficient and responsive claims process.

#### **8. Section 538 Guaranteed Rural Rental Housing Program (7 CFR 3565)**

##### **Recommended Changes:**

- Increase the Loan-to-Cost (LTC) ratio from 70% to 90%, making it easier for developers and owners to secure adequate financing. Higher LTC ratios improve access to financing, supporting project feasibility.
- Lower the Debt Service Coverage Ratio (DSCR) from 1.15 to 1.11, aligning RD with HUD financing guidelines. Lower DSCR requirements make financing more accessible and projects more viable.
- Extend amortization periods from 40 to 50 years, reducing debt service costs and improving long-term affordability. Longer amortization periods lower monthly payments, enhancing affordability.

#### **9. Utility Allowances and Rent Calculations**

##### **Recommended Changes:**

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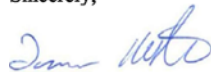
- Eliminate RTO restrictions and workout plans for properties without full RA and vacancy problems. Removing these restrictions will provide more flexibility for property owners to manage vacancies and create more financial stability.
- Allow rent concessions for non-RA units without affecting RTO calculations, ensuring greater leasing flexibility. Rent concessions can help fill vacancies and maintain occupancy rates.
- Standardize or simplify the UA allowance process, requiring utility companies to comply with information release requests. Simplified processes ensure timely and accurate utility allowances.
- Create a universal formula for rent calculation across all housing programs, aligning income-based rent formulas with HUD and LIHTC policies. A universal formula reduces confusion.

By implementing these regulatory streamlining measures, RD can enhance program efficiency, reduce unnecessary administrative burdens, and improve the long-term viability of affordable rural housing properties. These recommendations align with existing RD handbook policies and propose modifications that uphold program integrity while improving operational efficiency.

We greatly appreciate RD's commitment to rural housing and look forward to working together to support sustainable, high-quality affordable housing in rural communities. We understand the agency has had a very busy year, and we greatly appreciate the hard work of you and your staff.

Please let us know if you have any questions or would like to schedule a meeting to discuss these recommendations. If you would like additional information, please contact Colleen Fisher, CARH's Executive Director at (703) 837-9001 or [cfisher@carh.org](mailto:cfisher@carh.org).

Sincerely,



Ian Maute

CARH President

cc: Mr. Vince Haley, Director of White House Domestic Policy Council  
 Ms. Jacqueline Ponti-Lazaruk, Acting Deputy Under Secretary Rural Development  
 Ms. Angilla Denton, Acting Administrator Rural Housing Service  
 Ms. Kailee Buller, Chief of Staff, U.S. Department of Agriculture

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**Schedule A**

**Improvements to Chapter 7 Transfer Application Process**





*Council for Affordable and Rural Housing*  
*Serving the Affordable Housing Needs of Rural America*

TO: Karissa Stiers, Deputy Administrator, Office of  
 Multifamily Housing, Rural Development

Dan Rogers, Director of Production and  
 Preservation for Multifamily Housing, Office of  
 Multifamily Housing, Rural Development

Mike Resnik, Director of Asset Management, Office  
 of Multifamily Housing, Rural Development

Laurie Warzinski, Director of Field Operations,  
 Office of Multifamily Housing, Rural Development

FROM: Colleen M. Fisher,  
 Executive Director, CARH

Rebecca Simon, Counsel,  
 Nixon Peabody, LLP

RE: Improvements to Chapter 7 Transfer  
 Application Process

DATE: September 6, 2023

Thank you for the opportunity to present our recommendations for improving the Chapter 7 transfer application process for the Section 515 Rural Rental Housing ("Section 515") program. This memo focuses on three main areas where we see opportunity to make improvements that will significantly expedite and streamline the transfer application process for the Rural Development ("RD" or the "Agency") Multifamily Housing staff ("Multifamily") processing the applications and the participants submitting the applications.

As you know, the regulations governing the transfer process are contained at 7 CFR § 3560.406. The existing guidance for the transfer process is found in Project Servicing Handbook HB-3-3560, Chapter 7 (the "Chapter 7 Handbook"). This memo does not request or suggest any regulatory or statutory changes to the transfer process. Instead, this memo focuses on changes that can be made to the review process and updates that can be incorporated into the existing application process. Our goal is to decrease the workload required of RD when an application is received by streamlining the application review process and improving the application format to allow for more efficient and effective approvals.

The Section 515 portfolio is critically important to the availability of affordable rural housing in America. It is also aging at an alarming rate. The infusion of new capital to these properties through transactions that bring in third party financing and other funding sources must be prioritized as a primary path to preservation. Improving the transfer process to allow for faster, more efficient review will allow owners and developers to expand their portfolios and impact the greatest number of properties.

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The three areas of improvement we will focus on in this memo are:

1. Implement Parallel Processing of Multifamily and Underwriting Reviews
2. Increase Accountability from Third Party Reviewers
3. Streamline the Transfer Application

Below are detailed explanations of each recommendation. We look forward to working with the RD team to review and discuss these proposals.

#### **1. Implement Parallel Processing of Multifamily and Underwriting Reviews**

The transfer of a Section 515 loan requires review by both a RD loan servicer and a RD underwriter to assess whether the transfer meets RD's administrative, program and underwriting requirements (Project Servicing Handbook HB-3-3560, Chapter 7.2). The current policy at RD requires the RD loan servicer to analyze the full transfer submission for completeness and work with the applicant on any questions or concerns they have on the initial application before submitting the application to underwriting.

This initial review process by the RD loan servicer is extensive. The application, as discussed in more detail below, requires significant third-party reporting, financial data for the entire transaction, including application and data from other financing sources, as well as complete information on the proposed organizational structure and sources and uses. In practice, the RD loan servicer is utilizing a checklist to ensure that every document is included but is not analyzing the application to understand how the various requirements fit into the transaction timeline. Further, the RD loan servicer will review the financing materials, including the PAT, a process that is then repeated once the package is submitted to underwriting.

The process would be significantly improved by bifurcating the review and allowing the initial review of the financing portion of the application to be done by the RD underwriter. By splitting the initial review between the RD loan servicer and the RD underwriter, the discussions between the applicant and RD will immediately get to the heart of any issues in the application. Allowing the applicant to discuss financing issues directly with the RD underwriter from the onset would eliminate many duplicative conversations that happen under the current review structure.

We request that the initial review of a transfer application be split between the RD loan servicer, to review the legal, organizational, and third-party reporting materials, and the RD underwriter, to review the financing materials.

#### **2. Increase Accountability of Third-Party Reviewers and Reliance on Third-Party Reports**

A significant portion of the RD transfer application is reviewed by RD staff members who sit outside of the Multifamily organizational structure within USDA. These third-party internal reviews often include review of the appraisal by an Agency appraiser, review of the legal documents by an attorney in USDA's Office of General Counsel ("OGC"), and review of the Capital Needs Assessment ("CNA") and environmental reporting by an Agency construction analyst. As a result of the third-party reviewers sitting outside the Multifamily organization at RD, there is limited ability by the RD loan servicer to impact the timing of these reviews. Many transfer applications are delayed because the application is

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sent to the third-party reviewers who have little to no accountability to complete the reviews in accordance with Multifamily's timeline for review of the whole application.

This second recommendation for streamlining the transfer application process is to work internally at USDA with the other offices where these third-party reviewers sit to improve the internal work expectations for review of transfer application documents.

In addition to working with other offices within USDA to improve review timelines, Multifamily should enact policies that allow RD staff to appropriately rely up on third party reporting, as opposed to the current policy that requires RD review of each third-party report. By requiring third-party vendors to complete reports, such as CNAs, environmental reporting, and appraisals, RD should be able to rely upon the expert conclusions in the reports without the need for significant expert review within RD. Allowing the RD loan reviewer to review and accept third-party reports without the need for further review from RD staff, the transfer application process would be significantly expedited.

We recommend that Multifamily work with the third-party internal reviewers to improve processing timeline expectations and enact policies to allow RD loan reviewers to accept the conclusions of third-party reports without the need for extensive review.

### 3. Streamline the Transfer Application

The final area of opportunity to streamline the transfer application process is by eliminating duplication contained in the Chapter 7 Handbook and consolidating the requirements for a transfer application.

First, the Chapter 7 Handbook contains two separate checklists, which often creates confusion. The checklist contained in Attachment 7-B-1 to the Chapter 7 Handbook is unnecessarily detailed and applicants often have a hard time understanding what the Agency is looking for when they review this checklist. Alternatively, Attachment 7-D to the Chapter 7 Handbook is more streamlined but leaves out some of the requirements of the first checklist. Consolidating these checklists into one, easy to follow checklist would improve consistency and accuracy across transfer applications.

For the rest of this memo, we will refer to Transfer Application Documents Checklist, Attachment 7-B-1 ("Attachment 7-B-1" or "Checklist") to the Chapter 7 Handbook, as that is the more complete of the two checklists. The Checklist has forty-five (45) items, plus the Transfer Preliminary Assessment Tool ("PAT").

#### a. Duplication of Sources and Uses

The Checklist and PAT each call for generating transaction sources and uses multiple times. The top suggestion for streamlining transfer applications is to create one sources and uses statement that is contained within the PAT and eliminate the need for applicants to copy this information on to any other document. Instead, other areas of the application should simply refer back to the PAT.

The current application requires Sources and Uses to be listed out (in whole or material part) at least eight (8) separate times in the following documents:

1. PAT
2. Executive Summary (Checklist Item #1) (*While the Sources and Uses are not included as chart in this item, the description of the Executive Summary in Attachment 7-B-1 requires inclusion of a*

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*detailed description of the financing for the deal and how that financing will be used for the benefit of the project.)*

3. MFH Transfer and Assumption Application Supplement (Page 3 of Checklist Item #2, Attachment 7-B-2)
4. MFH Transfer and Assumption Application Supplement Exhibit (Page 9 of Checklist Item #2, Attachment 7-B-2)
5. Construction Sources and Uses, for 1924-13 (Checklist Item #11)
6. Application for Federal Assistance (Section 15 of Checklist Item #16, SF-424)
7. Sources and Uses (Checklist Item #18)
8. Sources and Uses Comprehensive Evolution Analysis (Checklist Item #25)

As radical as it sounds, all of these documents can be eliminated, except the PAT. The MFH Transfer and Assumption Application Supplement (Checklist Item #2, Attachment 7-B-2) has been nearly entirely subsumed by the PAT input. That form contains much basic, vital information, but the most important remaining portion is the contact list of names and that could easily be added to the PAT in one of the first few tabs, which already calls out borrower, applicant and project information. If RD needs a “paper” version of the data in addition to the PAT’s Excel format, the PAT or portions of it can be also submitted in PDF, which is often easier to read.

b. Duplication of Scope of Work/Repairs

Similar to the Sources and Uses, the scope of work or scope of repairs that will be made to the project following the transfer are required in multiple documents throughout the application. Both the Exhibit A to the Repair Agreement, the “Description of Repairs” (Checklist Item #10), and the Cost Estimate and Certificate of Cost (Checklist Item #11) require a breakdown of the repairs anticipated to be made by the purchaser. Additionally, the repairs needed at the property are also spelled out in the third-party Capital Needs Assessment (“CNA”) (Checklist Item #8).

For the scope of work-related items, the duplication of information from the CNA (Checklist Item #8) to Exhibit A of the Repair Agreement (Checklist Item #10) and the Cost Estimate (Checklist Item #11) creates three (3) separate documents with different formatting relating the same information to RD: the repairs needed at the project that will be addressed by the purchaser following the closing of the transaction. Here, RD could modify both the Repair Agreement (Checklist Item #10) and the Cost Estimate (Checklist Item #11) to include one standard Scope of Work attachment derived from the Capital Needs Assessment. Purchasers will typically have a Scope of Work created when putting together the initial financing plan for the project that could be used. Requiring this Scope of Work as a standard document and referring to it in the Repair Agreement (Checklist Item #10) and in a certification of cost from a contractor (as is required in the Cost Estimate (Checklist Item #11) will streamline the review of the anticipated work and eliminate inconsistencies amongst the documents.

c. Duplication of Project Budget

The Proposed Project Budget (Checklist Item #17, RD 3560-7) is included as both a standalone document as well as in the PAT in the “Rents and Operations” and “Cash Analysis Tab” and in the Financial Pro Forma (Checklist Item #20). The instructions should be clarified such that both the year of construction budget and the first-year stabilized budget should be provided (which would actually expand the request data). Doing so will complement the rest of the project budget. The PAT includes the exact requirements from Part I through IV of the Proposed Project Budget and the remaining items in the form would be included in a Financial Pro Forma. Rather than completing the PAT and then retyping the paper or PDF

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of the 3560-7 Budget form (Checklist Item #17), that part of the PAT can just be resubmitted as a PDF. See below for a full breakdown:

- Part I of RD 3560-7 – Cash Flow Statement – *Included in full in PAT (Rents and Operations Tab).*
  - Part II of RD 3560-7 – Operating and Maintenance Expense Schedule – *Included in full in PAT (Rents and Operations Tab).*
  - Part III of RD 3560-7 – Account Budgeting/Status – *Included in full in PAT (Cash Analysis Tab).*
  - Part IV of RD 3560-7 – Rent Schedule and Utility Allowance – *Included in full in PAT (Rents and Operations Tab).*
  - Part V of RD 3560-7 – Annual Capital Budget – *Included in application as Financial Pro Forma (Checklist Item #20).*
- d. Other Areas of Duplication

Several additional small changes that will eliminate unnecessary checklist items in the transfer applications are as follows:

- Proof of Citizenship (Checklist Item #32) – The Federal Tax ID number or Social Security number is required on the Previous Participation Certification (Checklist Item #27, HUD 2530/RD 1944-37) making this item unnecessary and duplicative. Further, some offices have begun requiring an attorney certification of this item, which is also unnecessary. Checklist Item #32 should be eliminated.
- Attorney Opinion (Checklist Item #34) and Attorney Certification (Checklist Item #38) – From experience, there is no consistency in the format or type of opinions, which varies by OGC review attorney. There are also multiple different formats that we have seen. And the request for these documents often comes in the early part of the processing where many of the certifications or opinions have not occurred yet, as a matter of law. There should be one format of opinion and as is typical of real estate transactions, should be provided in draft at application and signed and collected at closing.
- Appraisals and Rent Comparability Studies: Checklist Items # 12, 13 and 14 call out USDA Security Value Appraisal, As-Is Unrestricted Appraisal, and Rent Comparability Study. But in practice RD staff will usually point to Handbook HB-1-3560, Chapter 7 and ask for a range of values as set forth in that guidance. Those three items should be replaced with an appraisal as either provided by RD (RD rules still speak to that process) or submitted by the applicant in compliance with HB-1-3560, Chapter 7.
- Self-Evaluation and Transition Plan (Checklist Item #9): As previously discussed, the Self-Evaluation and Transition Plans (Checklist Item #9) should be something that RD has on file, but the request should be coordinated with the scope of work, above, and any current or new management plan to eliminate barriers as part of the rehabilitation and part of any updating to project procedures. This will also help incorporate tasks from the management plan and the Affirmative Fair Housing Marketing Plan. Further, for any projects undergoing full rehabilitation, the plan should be not applicable, as all new rehabilitation projects require full compliance with Section 504.

e. Streamlining of Certifications

The Chapter 7 Transfer Application requires certain certifications from both the seller and purchaser. Checklist Item #2 includes five (5) joint certifications, two (2) seller certifications, and five (5) purchaser

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certifications. These certifications overlap, in part, with the Repair Agreement. The various certifications and the Repair Agreement can be combined in one document. Attached is a rough draft example of how such a consolidated Agreement and Certification could work.

Checklist Items #29 and #39 through #43 are additional certifications made by the purchaser relating to civil rights, lobbying and other issues. All of these are important, and we recognize there are specific statutory and Executive Order concerns that generated most or all of these forms (ie, Equal Opportunity Agreement, Lobbying Certificate, Drug Free Workplace). Still, a material efficiency can be gained by adding each of these forms to a single PDF or if there is an issue, a single zip file that applicants can pull down together. Indeed, that can work for really all of the remaining forms. Most, not all, can be found at different parts of the RD website, but a single file would be most efficient.

f. Clarifying Guidance

At the risk of expanding work in other areas, there are a few items where the guidance could be made clearer:

1. Environmental Information (Checklist Item #21) should be more clearly tied into what information might be triggered and when.
2. Regulation Requirements (Checklist Item #23) need to be clarified as to which regulation requirements are need by RD.
3. Credit Report Fees (Checklist Item #31) seems to always confuse applicants and it is almost always a de minimis amount, such as \$24. Perhaps a published amount could be posted?
4. Request for Rental Assistance (Checklist Item #45) is clear but perhaps it can be clarified, as it is relating to annual budgets, that any application is an automatic request for Rental Assistance for rent overburdened tenants?
5. Construction Documents are being requested with transfer applications by many offices but do not appear on the checklist and are not generally available until much further along in the transaction. It would be helpful to clarify for the RD loan servicers what is appropriate to request for the purposes of approving the proposed rehabilitation.

We appreciate the time and effort spent by RD in reviewing our recommendations for streamlining the transfer application process and eliminating duplication amongst the required documents. We would be happy to discuss each of these recommendations in more detail if that would be helpful.



**Council for Affordable and Rural Housing**  
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April 17, 2025

Secretary Scott Turner  
 U.S. Department of Housing  
 and Urban Development  
 451 7th St SW  
 Washington, DC 20410

Re: CARH Recommendations to Streamline HUD Programs

Dear Secretary Turner:

The Council for Affordable and Rural Housing (CARH) appreciates the opportunity to provide recommendations on how the United States Department of Housing and Urban Development (HUD), together with the industry, can help streamline and reduce regulatory barriers for the critical housing programs that HUD administers. CARH is a national organization representing rural housing providers, developers, lenders, investors, and managers dedicated to ensuring safe, decent, and affordable housing remains available in rural communities. Since 1980, CARH has served as the nation's premier association for participants in the affordable rural housing profession.

While CARH's members primarily work within the U.S. Department of Agriculture's Rural Development (RD) housing programs—such as Section 515 Rural Rental Housing, Section 514 Farm Labor Housing, and Section 521 Rental Assistance—HUD programs often intersect with and support the same rural communities CARH members serve. Many rural affordable housing developments rely on subsidies and layered financing that includes HUD-administered programs such as the Project-Based Section 8 Program, Housing Choice Vouchers and the HOME Investment Partnerships Program. Additionally, programs such as the Federal Housing Administration (FHA) mortgage insurance programs, the Community Development Block Grant (CDBG) Program, and Rental Assistance Demonstration (RAD) conversions for PRAC properties under the Section 202 and Section 811 programs play an increasingly important role in financing, preserving, and modernizing rural housing infrastructure. These initiatives, while often overlooked in rural discussions, play an important role in housing rehabilitation, site development, and the preservation of affordable housing options for elderly and disabled residents in rural communities.

RD was established in part to fill gaps left by conventional lenders in rural communities—particularly where private capital was unavailable for both homeownership and affordable rental housing. The Section 514 and Section 515 rural rental housing programs are the backbone of affordable multifamily housing in rural America. Created under the Housing Act of 1949, these programs were designed to provide affordable rental housing in communities where private financing was unavailable. Today, they support more than 12,000 properties nationwide, accounting for over 400,000 units of affordable housing. HUD plays a crucial role in supporting these efforts by providing additional funding and rental subsidies to ensure the sustainability and expansion of affordable housing in rural areas.

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Likewise, the Low-Income Housing Tax Credit (LIHTC) program, a program enacted under President Reagan, has leveraged private investment to develop and preserve affordable housing across the country, including rural areas. These programs prove that investment in rural housing is not about expanding government but about using intelligent, market-driven solutions to address real needs. Without these programs, many rural seniors, working families, and vulnerable residents would be displaced from their local communities, often forced to relocate to metropolitan areas where affordable options are also scarce. The preservation of rural rental housing is a matter of community stability and economic viability. HUD's involvement is essential in bridging the gaps and enhancing the impact of RD programs.

CARH members are optimistic that, under your leadership, "Opportunity Zones" will begin to serve their intended purpose in rural communities. Your prior work as Executive Director of the White House Opportunity and Revitalization Council demonstrated a deep commitment to underserved areas. CARH members hope that, by bringing that same focus to rural communities, these initiatives can finally help unlock meaningful development in rural housing markets that have historically been overlooked.

At a time when housing needs in rural America are growing and existing assets are aging, regulatory improvements are essential to ensure these programs can meet the moment. For years, CARH members have worked to ensure the continued success of the valuable private-public partnership these programs were designed to deliver to rural Americans. However, we believe there are aspects of these programs where their effectiveness is being limited by regulatory burdens, inefficient administrative processes, and outdated policies that limit participation from developers, lenders, owners, management companies and private investors. Delays in approvals and duplicative compliance requirements create additional costs that ultimately deter investment in rural affordable housing. The following recommendations were provided by CARH members whose core business is developing, owning, and managing affordable multifamily housing in rural communities nationwide.

#### **The Role of MOUs in Improving Efficiency**

One of the most effective ways to address duplicative compliance requirements and regulatory misalignment across different federal, state, and local agencies is through Memorandums of Understanding (MOUs) between HUD, RD and State Housing Finance Agencies (HFAs). These agreements could:

- Streamline compliance and approval processes, ensuring consistency between federal and state agencies.
- Reduce redundancies in physical inspections, rent calculations, approval of management agents/fees and financial reporting, making program administration more efficient.
- Align environmental review processes by allowing third-party assessments from RD and LIHTC agencies to be accepted by HUD instead of requiring a separate review.

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- Ensure that utility allowances, property management approvals, and fee structures are standardized, eliminating conflicting requirements that delay approvals.
- Facilitate the realignment of the Office of General Counsel (OGC), ensuring attorneys work within their respective regions. This regional focus will improve efficiency and responsiveness, allowing attorneys to better understand and address local issues.

In addition to establishing MOUs, HUD and RD should implement targeted regulatory improvements in transfers, reserve accounts, budgeting, environmental reviews, evictions, inspections, construction oversight, financing terms, and utility allowances. The following recommendations align with existing HUD handbook policies (hyperlinks included) while proposing critical reforms to reduce administrative burdens, enhance efficiency, and encourage long-term investment in rural housing programs.

#### **1. Environmental and Labor-Related Compliance: [24 CFR Part 50](#) and [Davis-Bacon Act](#)**

Many environmental and labor-related compliance requirements impose significant time and cost burdens on affordable housing rehabilitation and preservation efforts—especially when no new HUD funds are involved. These processes often duplicate reviews already conducted by other agencies and deter developer participation in HUD programs.

##### **Recommended Changes:**

- **Exempt rehabilitation projects from environmental reviews and Uniform Relocation Act (URA) requirements when no new HUD debt is involved.** Rehabilitation efforts that do not add density, alter site use, or involve new funding should not trigger full environmental review processes. These exemptions would allow critical upgrades to proceed more quickly and affordably, while preserving HUD's environmental goals through categorical exclusions.
- **Remove Davis-Bacon requirements from Section 8 and Project-Based Voucher (PBV) projects with no new HUD funding.** Davis-Bacon prevailing wage requirements significantly increase rehabilitation costs, often making preservation projects financially infeasible. When no new federal funds are added, these requirements serve no practical oversight purpose and should not apply.
- **Eliminate environmental review requirements for PBV requests/awards without additional HUD funding.** Local Public Housing Authorities (PHAs) already conduct oversight of PBV placements. Requiring an additional layer of environmental review for awards without new HUD capital creates unnecessary barriers, delays, and administrative costs—especially when similar properties are already operating under HUD standards.

#### **2. Compliance and Verification Simplification: [HUD Handbook 4350.3, REV-1, Chapter 5](#)**

HUD's current verification requirements and compliance processes can be administratively burdensome and, at times, duplicative, often resulting in limited improvements to overall program



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integrity or outcomes. These layers of oversight, while well-intentioned, can divert critical time and resources away from direct service to residents. Streamlining these requirements—particularly where similar data is already being collected by other agencies—would enhance efficiency without compromising accountability.

**Recommended Changes:**

- **Eliminate Enterprise Income Verification (EIV) entirely; if not feasible, remove income discrepancy reporting and allow cross-agency access to EIV data.** This would reduce duplicative efforts, minimize confusion caused by outdated or mismatched wage data, and allow housing providers to focus on accurate, real-time verification methods already in use by other federal and state programs.
- **Simplify resident income verification by adopting a self-certification model, with full recertification every three years and penalties for any false reporting.** A streamlined self-certification process would reduce the administrative burden on property managers and residents, especially in rural areas where access to documentation or third-party verifiers may be limited. By limiting full recertifications to every three years—rather than annually—and establishing meaningful penalties for intentional misreporting, the program could maintain integrity while significantly improving efficiency and housing provider capacity. This approach is already successfully utilized in other federal programs and could help align HUD requirements with real-world implementation challenges.
- **Eliminate the requirement to include student grants, scholarships, and third-party support in income calculations.** Including these forms of educational support in income calculations can inadvertently penalize low-income students who are pursuing higher education, particularly in rural communities where access to post-secondary opportunities is already limited. Removing this requirement would encourage educational advancement without jeopardizing housing assistance, aligning housing policy with broader federal goals around education, workforce development, and economic mobility.
- **Align verification documentation timelines with RD's 90-day standard.** Requiring documentation to be dated within 90 days of certification, as RD does, strikes a reasonable balance between ensuring accurate income reporting and minimizing unnecessary administrative burden. Aligning HUD's policies with this standard would improve consistency across federal housing programs, reduce paperwork for housing providers, and simplify compliance for properties layered with multiple funding sources.
- **Eliminate Section 8 income targeting requirements when adding HUD units to existing sites.** Applying additional income targeting requirements when HUD units are added to existing affordable housing developments can create unnecessary complexity and restrict the financial feasibility of mixed-income or layered-financing projects. Eliminating this requirement would provide greater flexibility to align funding sources, preserve existing affordable units, and streamline compliance across programs without diminishing the availability of affordable housing.

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### 3. Inspection and Monitoring: [HUD Handbook 4350.1, Chapter 6](#)

Current inspection and monitoring protocols are often duplicative, overly punitive for minor errors, and out of sync with practical property management realities. These issues divert time and resources away from improving resident services and maintaining property conditions.

#### Recommended Changes:

- **Eliminate the Affirmative Fair Housing Marketing Plan (AFHMP) requirement.** Owners and managers of HUD-assisted and RD-assisted housing are already required to follow federal, state, and local fair housing laws through lease-up procedures, tenant selection plans, and oversight from multiple agencies. In practice, the AFHMP adds little value to the leasing process and has become a duplicative paperwork requirement. Removing the AFHMP for properties that are otherwise subject to fair housing enforcement would reduce administrative burden without weakening protections for prospective residents.
- **Institute a threshold for Management and Occupancy Review (MOR) calculation errors; provide additional time for corrections.** Minor discrepancies should not result in findings or penalties. Establishing a tolerance threshold would ensure reviews focus on material issues and give owners a fair opportunity to correct minor errors before enforcement actions.
- **Reduce inspection duplication by consolidating oversight among HUD, RD, and other agencies.** Properties with layered financing are frequently subjected to multiple inspections by HUD, RD, LIHTC compliance monitors, and local PHAs. These inspections often assess the same standards. Allowing one qualified agency to lead inspections—recognized across funding sources—would reduce burden and enhance efficiency.
- **Permit eviction for residents who fail to complete recertification.** Residents who repeatedly fail to comply with recertification requirements create challenges for compliance and disrupt the integrity of income-based housing programs. Owners should be allowed to initiate lease enforcement, including eviction, in accordance with program rules.
- **Allow state law to govern eviction timelines; repeal CARES Act's 30-day notice rule.** The CARES Act's federal eviction timeline has created confusion and unnecessary delays in markets where state laws already provide robust resident protections. Aligning eviction timelines with state law would create consistency, restore due process, and support effective property management.

### 4. Asset, Income, and Resident Screening: [HUD Handbook 4350.3](#)

Current HUD screening and eligibility policies, while well-intentioned, can unintentionally create barriers for both applicants and property owners. Rigid thresholds and conflicting

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requirements reduce flexibility in resident selection and create administrative burdens that do not necessarily contribute to housing stability or program integrity.

**Recommended Changes:**

- **Increase the \$100,000 asset threshold annually, using the same formula applied to the \$50,000 threshold.** Indexing this threshold to inflation ensures the rule remains relevant over time and does not penalize households with modest retirement savings or assets that are not income-generating.
- **Eliminate exceptions to screening criteria for special claims participants.** Current policies often require owners to accept residents who do not meet established screening criteria if they are linked to certain claims processes. This undermines a property's ability to enforce consistent, fair screening practices and can deter participation in HUD programs.
- **Remove limitations on consistent credit screening policies in Tenant Selection Plans (TSPs).** Owners should be allowed to implement reasonable, uniformly applied credit criteria that reflect their property's market and operational needs. Restricting this flexibility reduces the ability of owners to assess risk fairly and effectively.
- **Standardize or simplify the Utility Allowance (UA) process and require utility companies to comply with release of information.** The current UA process varies widely by jurisdiction and program, creating confusion and inconsistencies for owners and managers operating in multiple regions. Establishing a standardized or simplified UA methodology would ensure consistency, reduce administrative costs, and minimize rent-setting delays. Additionally, utility providers should be required to release data upon request, as delays in obtaining this information often result in prolonged approval timelines or reliance on outdated figures that don't reflect actual resident utility costs.

**5. Program Coordination and Administrative Flexibility**

The absence of formal coordination mechanisms between HUD, RD, and other housing agencies leads to inconsistent program implementation, redundant approvals, and unnecessary administrative burdens for owners and managers. This misalignment undermines efficiency, increases compliance costs, and delays service delivery to residents.

**Recommended Changes:**

- **Establish a formal MOU between HUD and RD for rent approvals, management agent approvals, and the use of RD management fees.** A MOU would create clear lines of authority and standardized procedures, reducing duplicative reviews and conflicting requirements that frustrate both owners and administrators.
- **Align HUD rent structures with RD for mixed-finance properties.** Properties operating under both HUD and RD programs should not be forced to adhere to two rent-setting

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processes. Alignment would promote consistency, simplify compliance, and ensure financial sustainability across programs.

- **Improve coordination between HUD, RD, and local PHAs to streamline program delivery.** Increased collaboration among federal and local entities would reduce delays, eliminate unnecessary duplicative oversight, and allow for a more seamless resident experience.
- **Discontinue the “month-ahead” Housing Assistance Payment (HAP) voucher processing to avoid frequent retroactive adjustments.** The current advance billing model often results in errors, corrections, and administrative inefficiencies. Moving to real-time or current-month processing would reduce burdens on PHAs and owners while increasing accuracy in subsidy delivery.

## 6. Systems and Technology Modernization

HUD’s legacy systems—most notably HUD Secure Systems, the new E-Tool for Capital Needs Assessments and the NSPIRE portal—are outdated, fragmented, and difficult to navigate, resulting in inefficiencies for both agency staff and housing providers. These platforms hinder data integration, delay processing, and create unnecessary administrative burdens.

### Recommended Changes:

- **Eliminate systems in favor of a unified, modern, user-friendly software platform.** A centralized system would significantly improve usability, reduce training needs, and allow for more efficient submission, processing, and tracking of required documentation.
- **Ensure compatibility across HUD, RD, and HFAs.** Cross-agency compatibility would streamline compliance for properties operating under multiple funding sources and reduce redundant data entry, improving accuracy and saving time for all parties.
- **Enable streamlined data transmission, budget submissions, and reserve requests.** A modern system should allow for seamless electronic transmission of required documentation, eliminating paper-based processes and enabling real-time communication, review, and approval of budgets, reserve for replacement requests, and other submissions. This would accelerate approvals and allow owners and agencies to respond more effectively to property needs.

## 7. Build America, Buy America (BABA)

While well-intentioned, the BABA requirements have unintentionally created significant barriers to affordable housing production, particularly in rural areas. Small-scale developers and nonprofit owners often lack the procurement capacity to comply with the documentation and sourcing mandates, and the additional costs and delays are threatening the viability of critical projects.

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**Recommended Changes:**

- **Exempt small and rural affordable housing projects from BABA requirements.** The scale and scope of rural projects often do not justify the complexity or cost of full BABA compliance. Exempting these projects would preserve development feasibility and housing affordability in hard-to-reach markets.
- **Limit architect liability regarding BABA certification.** Design professionals are being asked to certify sourcing beyond their control, exposing them to undue risk. Clarifying or limiting liability would protect architects and encourage continued participation in HUD-assisted projects.
- **Simplify paperwork to improve contractor participation.** Contractors, particularly in rural areas, are opting out of HUD jobs due to BABA's burdensome reporting. Streamlining compliance procedures would expand the pool of qualified contractors.
- **Address cost increases and supply chain disruptions aggravated by BABA.** Domestic sourcing restrictions have driven up prices and prolonged delivery times, making project timelines unpredictable and budgets untenable. HUD should allow waivers or flexibility where BABA compliance would jeopardize project completion or affordability.

**8. Cross-Program Regulatory Frameworks**

The absence of standardization across HUD programs leads to unnecessary complexity for property owners, managers, and residents. Differing eligibility rules, income limits, rent formulas, and documentation requirements complicate compliance and increase administrative costs—diverting resources away from housing delivery and long-term affordability.

**Recommended Changes:**

- **Create a universal rent calculation formula based on income and family size.** A consistent rent-setting methodology would eliminate confusion and simplify property budgeting and resident communication, especially in mixed-finance properties.
- **Standardize income limits and rent-setting methodologies across all HUD programs.** Aligning program rules would streamline operations for developers and property managers who operate multiple HUD-assisted properties and reduce the need for separate compliance systems.
- **Reduce paperwork and eliminate redundant documentation requirements.** Many HUD programs request duplicative information, slowing application and recertification processes. A consolidated documentation framework would ease the burden on both applicants and housing providers.
- **Encourage consistent eligibility criteria and application processes across all HUD-assisted programs.** Residents should not face dramatically different experiences based

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solely on the HUD program they qualify for. Uniformity in eligibility screening and application processing would promote fairness, reduce errors, and allow for more efficient delivery of housing assistance.

By implementing these regulatory streamlining measures, HUD can enhance program efficiency, reduce unnecessary administrative burdens, and improve the long-term viability of affordable rural housing properties. These recommendations align with existing HUD handbook policies and propose modifications that uphold program integrity while improving operational efficiency.

We greatly appreciate HUD's commitment to rural housing and look forward to working together to support sustainable, high-quality affordable housing in rural communities. We understand the agency has had a very busy year, and we greatly appreciate the hard work of you and your staff.

Please let us know if you have any questions or would like to schedule a meeting to discuss these recommendations. If you would like additional information, please contact Colleen Fisher, CARH's Executive Director at (703) 837-9001 or [cfisher@carh.org](mailto:cfisher@carh.org).

Sincerely,

Ian Maute

CARH President

cc: Mr. C. Lamar Seats, Deputy Assistant Secretary, HUD Office of Multifamily Housing Programs  
Mr. Andrew D. Hughes, Chief of Staff, HUD  
Mr. Vince Haley, Director of White House Domestic Policy Council  
Ms. Jennifer Larson, Director of Multifamily Asset Management and Portfolio Oversight, HUD

Chairman FLOOD. With this, Mr. Lipsetz, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF MR. DAVID LIPSETZ, PRESIDENT AND CHIEF EXECUTIVE OFFICER, HOUSING ASSISTANCE COUNCIL**

Mr. LIPSETZ. Chairman Flood, Ranking Member Cleaver, members of the subcommittee, this feels a whole lot more like choir practice than it does a hearing. I think we are all singing the same tunes so far, which feels great. My name is David Lipsetz, President and CEO of the Housing Assistance Council, commonly referred to as HAC.

HAC is a national nonprofit and CDFI that helps local organizations in all 50 States construct good quality homes in rural communities. We also pursue assiduously nonpartisan research that this committee and other national policymakers have been relying on for over half a century.

As we have all discussed, 20 percent of Americans living in rural communities, we play an outsized role in the Nation's economy. We sustain and power the Nation with food, fiber, and fuels. We have launched over half the small businesses, and we maintain a trade surplus.

The reality is that despite the vast wealth generated by rural communities, many of the rural families are left facing deep economic challenges. Wages remain stubbornly low. Median family incomes in rural communities, 25 percent below the rest of the Nation. Poverty remains stubbornly high at over 80 percent of the persistent poverty counties in rural areas. This reality is neither a recent nor, I would suggest to you, an accidental trend. It is not just free market forces and individuals freely choosing where to live. Public policy has a very heavy hand in this reality. If you hear nothing else from me today, please know that there are economic, tax, and housing policies stripping many heartland rural communities of their economic engines, anchor institutions, and young people.

The good news here, though, is that Congress can chart a new course, one in which rural communities are treated fairly by Federal policy and programs that are already in place and that nearly all of us in this room support. These are things such as the mortgage interest deduction, Fannie and Freddie, government sponsored enterprises (GSEs), Community Reinvestment Act (CRA), Low-Income Housing Tax Credit (LIHTC), Opportunity Zones. All these things play positive roles in our housing finance system, and yet all have design elements that steer investment to the most overpriced suburban and urban markets in the Nation while leaving most rural communities behind.

These programs can be improved. They can make the cost of capital for housing preservation and production affordable in each of the markets where it is working and provide public and private sector capacity in the communities that need it most.

To prime the private market, put public funds to their highest and best use, HAC encourages this subcommittee to address rural America's housing needs with, one, a focus on that capital in small towns; and two, building up the capacity of public, private, religious, non-profit, and for-profit rural housing providers.

Let me use the remainder of this time to focus on two issues. First, affordability is the greatest challenge in rural America. Wages have fallen far below the cost of housing. Five-point-six million rural households cannot afford the home they live in. This includes millions of homeowners facing mortgages and utility bills that eat up more than 30 percent of their income and 44 percent of rural renters that cannot afford their own rent. If you are not already aware, the affordability crisis has driven a 30 percent increase in rural homelessness over just the last 3 years. That is an unconscionable statistic.

Thankfully, many members of this committee and across the House and Senate are supporting proposals that address the crisis, including many I see here today that support the Affordable Housing Tax Credit Improvement Act and its basis boost for LIHTC properties, the Neighborhood Homes Investment Act, with a tax credit that drives private investment into housing production. It also closes the gap between the cost of construction and the lower appraised values of many rural homes.

Second, bipartisan momentum exists for modernizing housing programs that are designed for rural America and USDA's Rural Housing Service. Housing champions in both chambers and on both sides of the aisle have assembled a package of commonsense improvements using public-private partnerships, expanding the roles of Community Development Financial Institutions (CDFIs) and capacity-building investments in local housing organizations. You can find many of these in the discussion drafts in Mr. Cleaver's bill.

You also noted that they are supported by bipartisan legislation on the Senate side by Senators Moran and Shaheen. I really have to thank Mr. Cleaver and Mr. Nunn for continuing the work in this chamber that has been launched by Ms. Smith and Mr. Rounds on the Senate side in the Rural Housing Service Affordable Act. Central to these bills is the public investment we put into the 533,000 units of 515 housing; 350,000 remain. We have the power to save them. Let us decouple rental assistance.

Once again, HAC appreciates the subcommittee's time and your attention to this topic. I am looking forward to today's discussion.

[The prepared statement of Mr. Lipsetz follows:]





We build homes and communities in rural America

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

House Financial Services Committee  
Subcommittee on Housing and Insurance  
"Housing in the Heartland: Addressing Our Rural Housing Needs"  
June 12, 2025

## INTRODUCTION

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

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

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

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

## RURAL HOUSING LANDSCAPE IN 2025

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

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

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

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

Federal investment in capacity building launched almost every successful local and regional housing organization that we know today. However, very few of those local organizations are in rural regions. Fewer still work in areas of persistent rural poverty. The power of capacity building in rural communities cannot be overstated. Rural communities often have small and part-time local governments, inadequate philanthropic support and a shortage of the specialists needed to navigate the complexities of federal programs and modern housing finance. Targeted capacity

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building through training and technical assistance is how local organizations learn skills, tap information, and gain the wherewithal to do what they know needs to be done. Rural places need increased capacity building investment in order to compete for government and philanthropic resources. Without deeply embedded, high-capacity local organizations, available federal funding and other capital will never evenly flow to rural communities.

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

### **AFFORDABILITY IS THE GREATEST HOUSING CHALLENGE IN RURAL AMERICA**

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

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

<sup>1</sup> Housing Assistance Council tabulations of the U.S. Census Bureau's 2016-2020 American Community Survey 5-Year Estimates.

<sup>2</sup> Housing Assistance Council tabulations of the U.S. Census Bureau's 2016-2020 American Community Survey 5-Year Estimates.

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

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

### WE ARE A NATION OF HOMEOWNERS – ESPECIALLY IN RURAL AMERICA

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

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

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

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

<sup>4</sup> Housing Assistance Council tabulations of the U.S. Census Bureau's 2016-2020 American Community Survey 5-Year Estimates.

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

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

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

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

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

### **RURAL AMERICA IS LOSING AFFORDABLE RENTAL HOUSING AT AN ALARMING RATE**

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

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

<sup>6</sup> Housing Assistance Council tabulations of the U.S. Census Bureau's 2015-2019 American Community Survey 5-Year Estimates.

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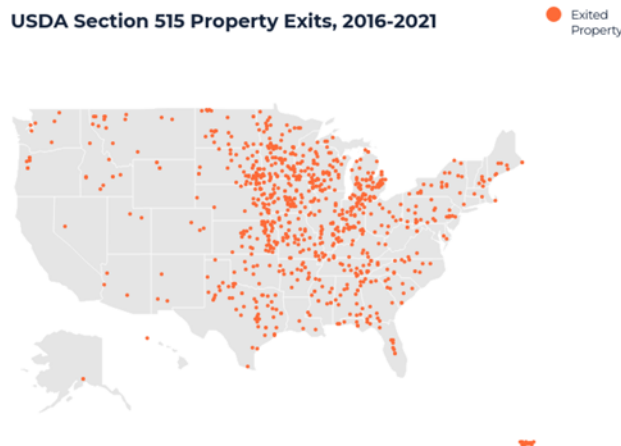


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mature, projects and units will be removed from USDA's affordable rural housing program, placing very low income rural residents in jeopardy of untenable rent increases and possible eviction."<sup>7</sup>

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

#### USDA Section 515 Property Exits, 2016-2021



Source: Housing Assistance Council Tabulations of USDA Data



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

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

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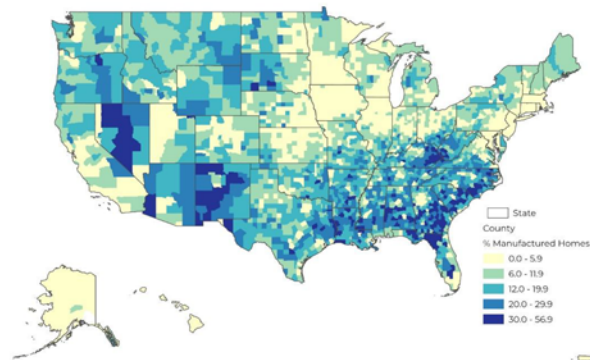
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The residual impacts of this trend are exponential. Once the USDA mortgage has ended, the property owner is generally no longer subject to government oversight or regulations on use of their property (unless the project has other subsidies still in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

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

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

Manufactured Housing in the United States



Source: Housing Assistance Council Tabulations of the U.S. Census Bureau's 2016-2020 American Community Survey Five Year Estimates.

<sup>9</sup> Housing Assistance Council, *Rural Research Brief: Manufactured Housing in Rural America*, July 2020, [https://ruralhome.org/wp-content/uploads/2021/05/Manufactured\\_Housing\\_RRB.pdf](https://ruralhome.org/wp-content/uploads/2021/05/Manufactured_Housing_RRB.pdf).

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

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

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

### **RURAL HOMELESSNESS IS GROWING, AND IS OFTEN OVERLOOKED**

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

<sup>10</sup> Housing Assistance Council tabulations of Consumer Financial Protection Bureau 2018 Home Mortgage Disclosure Act data.

<sup>11</sup> HAC, *Manufactured Housing*.

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

### PERSISTENT POVERTY IS A PREDOMINANTLY RURAL CONDITION

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

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

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

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

<sup>12</sup> Housing Assistance Council, *Rural Research Brief, The Persistence of Poverty in Rural America*, April 2022, <https://ruralhome.org/wp-content/uploads/2022/04/rural-research-brief-persistent-poverty-2021.pdf>.

<sup>13</sup> HAC, *The Persistence of Poverty*.

<sup>14</sup> "Persistent Poverty in America," Partners for Rural Transformation, accessed November 9, 2022, <https://www.ruraltransformation.org/persistent-poverty/>.

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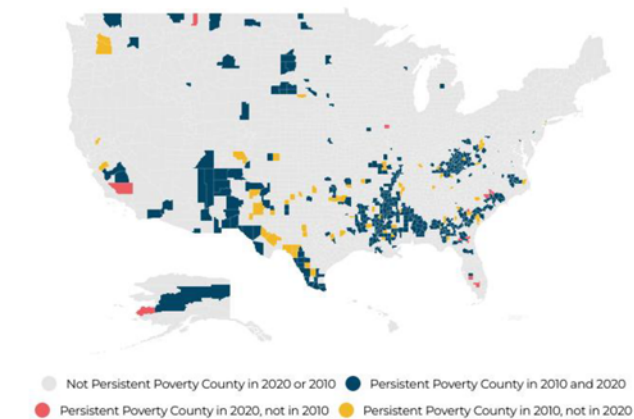
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many of these communities, more than half of Persistent Poverty County renters encounter affordability problems and are considered housing cost-burdened (defined as paying more than 30 percent of income in rent).<sup>15</sup>

#### Change in Persistent Poverty Counties, 2010 - 2020



Source: Housing Assistance Council Tabulations of the U.S. Census Bureau's 1990, and 2000 Census of Population and Housing, and 2006-2010 American Community Survey, and 2016-2020 American Community Survey.



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

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

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

## POLICY RECOMMENDATIONS

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

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

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

## THE RURAL HOUSING SERVICE REFORM ACT

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

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

<sup>17</sup> Housing Assistance Council tabulations of Consumer Financial Protection Bureau 2021 Home Mortgage Disclosure Act data.

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

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

#### *Authorize Key Multifamily Preservation Programs*

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

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

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

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

#### *Improve Opportunities for Mission-Focused Nonprofits to Preserve Maturing Properties*

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

This bill would cut that red tape by allowing nonprofit transfers to move forward before funds for rehabilitation are identified, as long as the nonprofit purchaser

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makes a commitment to address rehabilitation needs during ownership and accepts long-term use restrictions on the property.

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

#### *Decouple Rental Assistance from Maturing Section 515 Mortgages*

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

#### *Strengthen the Rural Voucher Program*

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

#### *Increase Data Transparency*

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

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

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prepayment, foreclosure, or other servicing issues; and risk ratings for properties assisted under those programs.

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

*Ensure that RHS has Modern Technology Capabilities*

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

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

*Increase Use of the Section 502 Direct Loan Program on Native Lands*

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

*Allow for Longer Loan Terms, In-Home Childcare and ADUs in the Section 502 Direct Loan Program*

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

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

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

### ADDITIONAL RURAL AFFORDABLE HOUSING PRIORITIES

#### *Support Existing Rural Capacity Building Investments That Have Proven Impact*

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

#### *Fully Fund the Self-Help Homeownership Opportunity Program (SHOP)*

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

#### *Fully Fund the Section 502 Direct Loan Program*

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

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

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

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

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

<sup>19</sup> *Neighborhood Homes Investment Act* (Washington, DC: Neighborhood Homes Coalition, March 9, 2022), <https://static1.squarespace.com/static/589b48fbc3df28f7ed63b31b/t/622909ff205750275598eb8d/1646856704390/NHIA%2BSummary%2BMarch%2B2022.pdf>.

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

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

*Enact the Affordable Housing Tax Credit Improvement Act (AHCIA)*

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

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

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

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

<sup>20</sup> Andrew M. Dumont, "Rural Affordable Rental Housing: Quantifying Need, Reviewing Recent Federal Support, and Assessing the Use of Low Income Housing Tax Credits in Rural Areas," Finance and Economics Discussion Series 2018-077 (Washington, DC: Board of Governors of the Federal Reserve System, 2018), <https://doi.org/10.17016/FEDS.2018.077>.

<sup>21</sup> *Detailed Bill Summary: The Affordable Housing Credit Improvement Act* (Washington, DC: The ACTION Campaign, September 2021), <https://rentalhousingaction.org/wp-content/uploads/2021/10/AHCIA-Detailed-Bill-Summary-September-2021.pdf>.

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

*Ensure that RHS has Sufficient Staff and Operational Capacity*

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

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

## CONCLUSION

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

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



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Chairman FLOOD. Thank you, sir.

We will now turn to member questions. I now recognize myself for 5 minutes for questioning.

Mr. Baier, in your written testimony, you shared some details about Nebraska's Rural Workforce Housing Investment Fund. The State program provides matching grants to local non-profit developers and communities with populations of less than 100,000 people. These projects do not have any income restrictions for inhabitants. Instead, the projects are limited by the cost of construction for each home. New homes, single-family home construction is limited to \$325,000 per unit and multifamily unit costs are capped at \$250,000 per unit. Instead of having an ongoing requirement that any tenant meets certain income targets, this program is focused solely on controlling building costs and bringing more affordable housing supply online. This program has turned \$59 million in State funds into 986 total completed owner-occupied and rental units, which comes out to a little less than \$60,000 in State investment per built unit.

One of the reasons I wanted to raise this program as part of the conversation today about Federal programs is that this seems much more prudent and cost-effective for building workforce housing supply compared with how our Federal programs operate, and I think there is a fundamental question. Why? It is not trying to do too many things at once, in my opinion.

Mr. Baier, if the Rural Workforce Housing Investment Fund program required ongoing income verification requirements for landlords and income requirements for any home buyer purchasing a home, do you think those requirements would add cost and bureaucracy to the program?

Mr. BAIER. Yes, Congressman, I do believe they would add significant cost to the way that we administer our housing plan in Nebraska.

Chairman FLOOD. Mr. Baier, if the Rural Workforce Housing Investment Program included a requirement that all building materials and appliances used in a home be American made, would that add cost to the program?

Mr. BAIER. Yes, Congressman, I do believe it would add cost significantly.

Chairman FLOOD. What if the program included requirements that all contractors and subcontractors on the project tracked and report the wages of every worker working on the project to comply with a sliding scale calculation of prevailing wage based on subcategories by profession? Do you think reporting would increase costs?

Mr. BAIER. I do, Congressman. We struggle with many of our subcontractors and contractors who may have one or two staff, so it would be a significant administrative burden.

Chairman FLOOD. What if the program included a requirement that 25 percent of total labor hours on any project be done by low-income workers and that 5 percent of labor hours must be done by a business that has one of the following characteristics: Number one, is at least 51 percent owned by low-income people; number two, had at least 75 percent of the company's labor hours performed by a low-income worker; or number 3, is at least 51 percent

owned by workers in Section 8 assisted housing? Do you think those requirements would increase the program's costs?

Mr. BAIER. Yes, I do believe that would increase costs significantly, Congressman.

Chairman FLOOD. Thank you. The requirements I just described are all requirements for the Federal dollars in the HUD programs like the Home Investment Partnership Program, a program that, like Nebraska's Rural Housing Investment Fund, is designed to build housing supply. I am sure we all have members and witnesses in this room that may agree with the intent of some of those specific requirements.

Paying higher wages, providing more opportunities for lower-income workers, and using American materials in buildings are all goals that I can understand. Every one of those requirements carries a cost, and we need to be smarter about weighing the tradeoffs of those costs against their benefits.

Congress has a tendency to load up Federal programs with ancillary priorities, which add cost and ultimately detract from the main objective of the program in the first place. These programs die a death of a thousand cuts. Each new regulatory requirement on labor, procurement, environmental reviews, and everything else slowly can take a housing program and turn it into an expensive bureaucratic exercise. We need to stop diverting resources from the framers, the plumbers, the electricians necessary to build a home to the bureaucrats and outside consultants necessary to fill out the paperwork.

With that, I yield back.

The chairman now recognizes the ranking member of the subcommittee, Mr. Cleaver, for 5 minutes for questions.

Mr. CLEAVER. Thank you, Mr. Chairman.

Mr. Lipsetz, one of the biggest barriers to using HUD programs in rural communities, is often the amount of red tape and regulatory burden that comes with funding. Small rural communities are often not equipped administratively to navigate the regulatory complexities of these programs.

I have represented towns where the police chief was also the fire chief and also the librarian. So when those programs are available and we do not get rural communities requesting some help because we do not have the assistance to even provide help, they do not have many places to go.

HUD programs were originally designed to serve cities and urban areas. What changes would you suggest that Congress could make to broaden HUD programs to smaller and rural communities?

Mr. LIPSETZ. Mr. Cleaver, thanks for your question. It is very similar to Chairman Flood's, right, in that we are talking about the intent of programs that I think generally we all agree with, yet there are challenges in their application to these programs, and they slow down, and they create additional expense. Part of the reason that happens, that dynamic exists, is because there is not enough money in these programs. When the pie gets small, people fight fiercely for their piece. If we had commitment to enough funding for people to live in a decent and humane manner across this country, then we would not have those fights for those small pieces.

I think one of the things that best answers your question, Ranking Member Cleaver, is that we help those smaller communities build the capacity to apply for and receive the funds we are talking about. There are HUD programs to do it. Rural Capacity Building is a very specific one. I would also suggest Rural Community Development Initiative Grants (RCDI) at USDA. That investment right there from Congress will put somebody on the ground in that hometown who has the ability to cut through some of what exists in today's world, not some magic world in the future where we have finally gotten rid of a lot of these regulations, but very much today's process.

Mr. CLEAVER. So HUD and USDA should work together in order to create whatever technical assistance would be needed. Since these programs do, in many cases, actually overlap one another, is that an alliance that you think would help solve the problem?

Mr. LIPSETZ. I think I am one of the Nation's very few people who have worked in both those buildings, and I can tell you they operate in fundamentally different ways. USDA is not HUD. Please do not entertain the idea of taking the Rural Housing Service programs and plopping them down wholesale into a building that has no capacity whatsoever to run them in a retail manner on the ground in the kind of community you suggested. There may be a few ways to do that but that does not preclude us from putting HUD and USDA together to do alignment. There is no reason that you could come up with that a property being built needs more than one environmental review. I am sorry. If you are layering it on at a State and Federal level, multiple different programs because of how hard it is to gather the funds, forget it. We need one environmental review at most for a property built in the small town that you grew up in. I have seen that picture of your house that you grew up in hanging in your office, and that is exactly what we need to be able to do for those communities.

Mr. CLEAVER. Thank you. Thank you very much. I remember quoting you about not trying to implement programs by putting one of these agencies inside the other or taking what they do and merging them.

Mr. Garcia, do you think that the requirements such as Davis-Bacon prevailing wages are making it difficult for rural communities to use HUD programs for housing?

Mr. GARCIA. Of course, yes, I agree with that. I think there are two reasons for that. The first is that it kind of shrinks the labor pool, particularly of contractors who are not set up to track those kinds of requirements. As mentioned earlier, there are a lot of ancillary policy goals that we oftentimes put into these programs that are very well-meaning but do add cost, and this would be one of them.

Mr. CLEAVER. Thank you.

Chairman FLOOD. The gentleman yields back.

The chairman of the full committee, Mr. Hill of Arkansas, is now recognized for 5 minutes.

Chairman HILL. Thank you, Chairman Flood. Thanks to our panel for being here to help us think through the particular issues that challenge housing and housing access and housing afford-

ability in rural areas. I thank the Chairman and the Ranking Member for collaborating on this hearing.

It is pretty challenging to do. I was a banker in rural Arkansas for many, many years in Mississippi Delta. Chicot County has a population of 7,500 people today.

When I opened the bank there, it was probably 15,000, so it has shrunk in 15 years to that amount. Ashley County has a population of 18,000 and I would not think any of those counties have stick-built home builders. They might have a custom builder of a certain amount. So the things that I have noted are you do not have a regular construction infrastructure in many rural counties and there are no comps if you build a new house, so you cannot get a secondary market financing on the loan. It is going to be a portfolio loan for the most part.

Flood program, there are frequently homes built on bigger tracts of land that part of the land is in the flood plain. The house is not. The house is on a 40-foot hill, but you have to deed it out in order to be covered under Federal Emergency Management Agency (FEMA), so it is expensive to survey. I have seen some successes over those years. I have seen some grant programs by the Federal Home Loan Bank be helpful to that particularly I say a marginal multifamily developer in a rural area. I have seen that be a good gap filler for a construction loan.

I am interested in, Mr. Maute, what are some of the biggest challenges that you have seen in your list of what barriers are in a rural situation?

Mr. MAUTE. Sure. Thank you for the question. Developing and building housing in rural areas, as you mentioned, there are several challenges. The majority of the work that we do is through the housing credit program, attracting investors that are purchasing credits at the same prices as in urban areas. Attracting construction debt, firm debt for small communities is also a challenge. The projects that we build in rural areas, just because of the size of the markets, are 24 units, 30 units, maybe up to 50 or 60 units, and just are not as attractive to our financing partners that we want to work with. So, putting our capital stack together can be difficult.

On the construction side, finding high-quality, capable subcontractors to build the projects is an issue. We work with a handful of general contractors, and a lot of times they will have subs that are nowhere near the geographic area that we are in and that they will have to work on jobs simply because they cannot find qualified contractors in those areas. So, it runs the gamut from financing to construction to filling the units with qualified residents.

Chairman HILL. Would you find on the capital stack side, Do you have any model of working in a State with a large rural population where the public employees fund or something in a State has—I would assume if you could hit some—volume is what causes capital to not be attracted, just like if I cannot build 10 houses at once, I do not want to drive an hour and a half to this place to start a construction job. Is there some way that we could mobilize retirement financing or pension financing because of the yields, if you have it, you think the yields could be competitive if they were available to a long-term fixed-income investor?

Mr. MAUTE. Yes, that is not something that we have looked at personally as far as raising that sort of capital, so I do not know if I could really speak to that.

Chairman HILL. How about you, Mr. Baier, any comments from a good banker point of view?

Mr. BAIER. Mr. Hill, I think it is a great question. I think we need to find all sorts of pots of capital to be able to address this issue. The challenge is, unlike some of my fellow testifiers, we are not talking about 60 units in rural Nebraska. We are talking about one to five units, and trying to generate a private sector type return on those investments is really difficult, and that is why in many cases our banks get involved in CRA activities, CDFI activities, those kinds of activities really to be involved in that process because otherwise, it does not make financial sense.

Chairman HILL. Is it also tough on the extension of water and sewer in these kinds of towns, too, or is that not as big a barrier?

Mr. BAIER. It is a huge challenge trying to develop buildable lots in most of our rural communities, and I am a big believer in eliminating blight and substandard for that reason and knocking down older homes.

Chairman HILL. Right. Thank you very much. I yield back.

Chairman FLOOD. The gentleman yields back.

The gentlewoman from Georgia, Ms. Williams, is now recognized for 5 minutes.

Ms. WILLIAMS of Georgia. Thank you, Chairman Flood and Ranking Member Cleaver, for having this very important hearing today. Thank you, Mr. Cleaver, the Ranking Member of this subcommittee, for your work on the Strategy and Investment in Rural Housing Preservation Act. This would expand the USDA's Rural Housing Service, as well as create a new multifamily rental housing preservation and revitalization program that is very much needed.

I might sound like a broken record because I said this the last time. Although I represent the fighting 5th District of Georgia, rural housing is important to me personally. I grew up in rural Alabama. I heard our Chairman, and other members talk about these small towns, and, Mr. Cleaver, the fireman might have been the police chief, but in the big city of Smiths Station, Alabama, where I grew up, we did not even have a police chief or a fireman. We have that one traffic light that only flashed in front of the high school. So, I know a little bit about rural housing because that is my lived experience. That is where I grew up. All of my family is still in the big city of Smiths Station, Alabama.

Although I represent a district that is centered in metropolitan Atlanta, I get it. I get the need for rural housing. Not only just that, I came to Congress because as a Member of Congress, I understand that the policies that I enact impact the entire Nation. So it is important to me to have policies that help everyone so that future generations of families and children have better opportunities and more quality housing than I did growing up because that home that I grew up in rural Alabama, it was on our family land, and we probably did not meet all of the regulations and all of the codes that needed to happen because my grandpa built that home. It had no indoor plumbing and no running water. There are still

people in rural America that need us to fight for them, so I want to make sure that we are doing that part.

That is why I am thankful for Congressman Cleaver and Ranking Member Waters' work here on these important pieces of legislation because it is clear that while my colleagues and I and the Democratic Caucus are doing everything to honor Homeownership Month, some of my colleagues on the other side of the aisle are making it so much harder for homeownership in rural America and underserved communities. Whether it is this bill that we just voted on, the one big billionaire bailout or whatever you want to call it, or this proposed budget for next year. Many Americans are about to see in black and white in this budget which side of the aisle really cares about making housing affordable in this country.

Mr. Lipsetz, research from the Consumer Financial Protection Bureau found that people living in rural counties not only tend to earn lower incomes and experience higher rates of poverty but are also more likely to use expensive forms of non-bank credit. Mr. Lipsetz, how do you think these trends harm the ability of rural residents to save and qualify for affordable housing opportunities?

Mr. LIPSETZ. Thank you, Congresswoman Williams, for your question. The ability for a rural household to save on average is quite strong, and yet the financial services surrounding them do not support that. My organization did an analysis some years ago of bank closures, and there is an astounding percentage of—I was trying to recall it. I was just asking—60-something percent of the bank branches that have closed in the last 30 years, you do not have financial services when you live in places like Smiths Station, right?

Ms. WILLIAMS of Georgia. We had one bank, but still not quite enough to meet the needs of everybody who needed it.

Mr. LIPSETZ. One other piece of the puzzle that I think you started to hint at in your opening remarks is heirs' property. You come from a family property that is going to be split unless there are significant legal documents in place, wills and other things. That property is going to be split and is going to be in danger of loss to your family and the wealth you have built up in it. My organization with Fannie Mae has now done analysis of what the extent of heirs' property is across the country.

I know this is not your question, but we are desperate to get Congress to take a look at the risks that half a million families in the United States face because their property is tied up in an heirs' situation that they cannot gain the full wealth of it.

Ms. WILLIAMS of Georgia. Mr. Lipsetz, you are right, it was not part of my question, but it is very important to me, and I actually have bipartisan legislation that I am leading with Congressman Byron Donalds right here on this committee to address heirs' properties, so I look forward to it.

I am running out of time here, as I always do, because I have so many questions when it comes to making housing affordable for everyone across this country. I look forward to working with my colleagues on this heirs' properties legislation that is bipartisan, that can truly help us maintain and build generational wealth in this country.



Chairman FLOOD. The gentlewoman yields back. The gentleman from Tennessee, Mr. Rose, is now recognized for 5 minutes.

Mr. ROSE. Thank you, Chairman Flood and Ranking Member Cleaver, for holding this important hearing, and thank you to our witnesses for your time and being with us here today and sharing your expertise.

Mr. Maute, as you may be aware, there is a current statutory requirement that manufactured homes be built on a permanent chassis, which can add, frankly, thousands of dollars to the cost of a manufactured home. It is my strong belief that this is an outdated requirement that should be removed from statute, and I am working on introducing legislation again this Congress which would do just that.

Mr. Maute, in your opinion, would eliminating the statutory requirement for a chassis on every manufactured home increase the affordability and availability of these homes for rural America?

Mr. MAUTE. Yes, I believe it would increase the affordability and allow units to be created cheaper and in a more efficient and quicker manner.

Mr. ROSE. I agree, and I also would say I believe it will open up possibilities for innovations in the manufactured housing space that will help us finally realize the true potential for manufactured housing to increase the stock of homes all across the country. I assume you would agree with that as well.

Mr. MAUTE. Yes, yes, we have dipped our toe, personally, at my employer on looking at manufactured housing, and some of the technology and innovations are amazing and what it would allow us to do—to just sort of smooth out the construction process and make it predictable and not at the whims of weather would be great and would help things a lot.

Mr. ROSE. I would say remove the stigma maybe that is attached to the manufactured housing space. Do you think that is achievable as well?

Mr. MAUTE. I do.

Mr. ROSE. Very good.

Mr. Baier, in your testimony you highlight that Nebraska, like other rural areas of our great country, lacks an adequate supply of material vendors, contractors, and subcontractors to successfully build new housing units, and certainly, I hear this all across Tennessee. As you noted, this is a serious problem all across rural America. What steps can we take to increase the supply of these critically important skilled workers? Frankly, if you will, speak to why is it—normally, I believe markets work. Why are markets not signaling adequately to cause those resources to come to bear?

Mr. BAIER. Mr. Rose, thank you for the question. I would tell you, for me, it is a multi-pronged approach. We have to, as a country, begin to embrace trade and vocational education as first and foremost. We also have to educate parents that a trade occupation is a wonderful opportunity and a wonderful career that does not require a 4-year college education that comes potentially with hundreds of thousands of dollars in debt. As we make investments, we need to really focus our technical training on helping young people understand and embrace those opportunities and those trades.

Mr. ROSE. I could not agree more, and our Governor in Tennessee, Bill Lee, has done I think an exceptional job of focusing attention on career and technical education, what I call vocational education. Having been a product of that through agricultural education years ago, I can personally attest to the process of discovery that happens in our agriculture (ag) classrooms in helping expose young people to the many trades and maybe help them explore what careers might be of interest to them. For me, it ultimately led to a college degree and college education, but I still value very much the exposure I had to the trades as a vocational student back in the 1970s and 1980s, so I agree with you on that.

Are there other things we could do that would cause the market to work in terms of attracting talented workers, skilled workers into these trades?

Mr. BAIER. I think part of that may be scholarship programs. It may be efforts to allow home programs to let community colleges or vocational schools actually build modulars onsite. We have a number of our community colleges that build one to three to five units every year and then auction them off. Typically, they bring more at or more than what the market value is of those units. So, I think as we think about it, we just have to get much more creative and invest in those opportunities. I know a lot of my banks then partner with those community colleges to offer sort of a first-time in-house mortgage to go with that modular home that is built at the community college.

Mr. ROSE. Thank you. I agree with everything you are saying.

I want to just leave the panel with this thought. I am a farmer in a rural area, and my quest in life has been to reassemble the original land grant that John and Ann Lancaster acquired from the Revolutionary War, and I have succeeded to some degree in that, but as I have done so, I have acquired a number of farmsteads. So I, like many other larger farmers in my community, own a large number of empty houses, and we ought to figure out how to encourage and incentivize the owners of those abandoned rural houses, how to put them back into the housing stock.

Thank you, Mr. Chairman. I yield back.

Chairman FLOOD. The gentleman yields back. The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you so much, Chairman. Thank you all so much for being here.

While my district is not rural—I love my beautiful city of Detroit—it does still face many of the same challenges plaguing rural communities, as you know. No matter where you live, for example, we all have seen the vulnerability of our communities because of climate disasters, from flooding to fires to heatwaves. We know the climate crisis is here.

In my district, flooding has been chronic, and many of the homes, to many of my seasoned residents who do not have the fixed income, they do not have the capability of getting the basement cleaned up, addressing even the increase like we are hearing now more than ever, mold growing in people's homes.

In Wayne County, which is the largest county in my district, states of emergency have been declared, and I have been here since 2019, so 2019, 2021, 2023, disaster as State emergencies declared

for severe storms and flooding. According to FEMA's National Risk Index, Wayne County and Oakland County—I have five communities in Oakland County—face risks from natural hazards greater than 96 percent of the U.S. census tracts. While climate disasters can strike anywhere, research has directly tied, though—this is interesting, and I know my ranking member would find it interesting—tied the present-day climate risks to historic redlining practices. Redline communities have suffered from reduced public and private investment, which impacts, again, their ability to not have like irreparable harm, making them again very much exposed to heatwaves and flooding. Similarly, many rural communities have suffered from the same disinvestment, as you know, and the lack of resources and adaptive capacity.

Mr. Lipsetz, can you explain why historically disinvesting in communities, rural communities, communities like mine, how it has made them even more vulnerable with the climate crisis?

Mr. LIPSETZ. Congresswoman Tlaib, thank you for your question, and I would suggest that urban and rural markets have to be intertwined if this Nation's going to work well. It undermines our long-term political and economic viability if we do not see the interests that we have that are shared across that geography.

More specific to your question, places like Dearborn, Michigan, and others that are threatened by storms, I used to work for Congressman John Dingell, so I know a touch about Dearborn.

Ms. TLAIB. So you know about Aviation Sub, which is that—

Mr. LIPSETZ. I sure do.

Ms. TLAIB [continuing]. beautiful Detroit neighborhood right up against Dearborn. Both of them, it was the first time I have seen both of the communities coming together and saying we have to do something about flooding.

Mr. LIPSETZ. Yes. It is specifically what I am thinking about. For rural communities, when disaster strikes like something like there, the unfortunate reality is FEMA is not structured to deploy to rural places. If you take the disaster in North Carolina where a hurricane thousands of miles away wiped out small towns and communities across the hills of North Carolina, FEMA's ability to deploy to those areas is shockingly poor compared to its disaster responses for large places. That is what we do as Federal Government, right? We are big. We come in, we plop down our thing, and it is one size fits all.

The ability for a Federal agency, if they are going to accept the responsibilities for disaster recovery, to be able to deploy both its community assistance and its individual assistance to these small towns needs a very firm look. Otherwise, we are going to leave places outside of major metro areas at tremendous risk for flooding.

Ms. TLAIB. Yes, Detroit got some of the BRIC funding, the Building Resilient Infrastructure Communities program. It was really incredibly helpful. It was not a ton. People do not realize the \$1 million, it is not even a dent into what is needed, and my district needs and relies, of course, on that Federal partnership.

Earlier this year, when we did get the \$1 million, there was a sense of hope among residents that we were actually going to try to address it. Can you speak about how shuttering the FEMA and programs like BRIC will impact ability for some of our commu-

nities? I mentioned redlining earlier, and now I feel like we are experiencing blue lining. I know my colleagues do not want to hear it, but that is what I am experiencing. I feel like even with our community project funding, ours got cut 70 percent. When we were in the majority, we never cut their funding because Americans are Americans no matter where they live, and the need is the need no matter, again, their political affiliation. If you can talk a little bit about, again, the BRIC program and why that is important.

Mr. LIPSETZ. Congresswoman, that is not a program I am familiar enough—

Ms. TLAI. That is okay.

Mr. LIPSETZ [continuing]. to speak to—

Ms. TLAI. I do want to emphasize to my colleagues we should stop blue lining. Many of Americans have so many ties to each other. I just do not think one community should be hurt because of who they voted for.

Thank you. I yield.

Chairman FLOOD. The gentlewoman yields back.

The gentleman from South Carolina, Mr. Timmons, is now recognized for 5 minutes.

Mr. TIMMONS. Thank you, Mr. Chairman, and thank you to the witnesses for being here after a crazy week in the Financial Services Committee.

Rural America is facing a growing housing crisis, but it is one we have the tools to fix. One of the clearest barriers to new development is the permitting process. Homebuilders back in South Carolina tell me that permitting delays alone can add up to \$60,000 to the cost of building a single home. In rural areas, that is often enough to derail a project before it even begins. If we are serious about addressing the rural housing crisis, streamlining permitting must be a part of the solution.

Mr. Garcia, what specific best practices should Congress consider promoting to reduce permitting-related costs and encourage more private development in rural communities?

Mr. GARCIA. Thank you, Congressman. I think there are two specific things that come to mind. The first is streamlining the requirements for specific Federal programs that provide critical funding for affordable housing. I think, as we heard earlier, many of the requirements, while well-intended, can add significant costs through an extended project timeline, so that is a critical piece, too.

I think also providing resources for localities to streamline their own permitting process is really critical. We have a lot of municipalities that would really like to undertake the work of reforming the way that they plan and approve for housing, but they do not have the resources to do that, and I think that is particularly true in rural communities where the planning capacity is not like in larger cities.

Mr. TIMMONS. A lot of municipalities are trying to encourage affordable housing, but they are kind of doing it through a patchwork framework that creates uncertainty. When you do not know what the rules are and you start a project and they keep moving the goalposts, it is problematic.

I guess my question is, we have the National Flood Insurance Plan, which creates a framework through which people can create

some sort of expectations. Do you think it would be helpful to have something similar, a menu of options that municipalities and local governments could use to try to create that best practice and create more certainty for potential developers?

Mr. GARCIA. Yes, I think that would be extremely helpful. Uncertainty is a huge barrier to development in any community, and to the extent a community can make the rules clear and precise up front, that will be a big help for getting more housing built.

Mr. TIMMONS. Thank you for that. To you, Mr. Maute, in your experience working with rural communities, how does permitting delays or regulatory complexity affect your ability to get new housing projects off the ground?

Mr. MAUTE. Thank you for the question. Yes, permitting delays, local approvals, whether it is water, sewer, tap fees, add a lot of uncertainty. Sometimes the goalpost is moved where we are anticipating one set of fees, one set of review process, and we go to submit our plans, our specs, and move through it, and it changes. So, it does create a lot of delays, a lot of problems, and it is mostly all tied to uncertainty, as Mr. Garcia stated. Knowing what something is going to be when we go in is paramount to our success and working with municipalities that understand that would also be extremely helpful.

Mr. TIMMONS. Our country has seen an incredible opportunity using telehealth to reach rural communities that do not have access to good doctors. Is there a world in which we could use tele-inspections to streamline the permitting process, to streamline the inspection process? I am not saying it would work in every circumstance, but after maybe a year of in-person inspections where the contractor and the subcontractor were able to show that they were competent, is there a world in which we could transition to predominantly using videos and submitting them to reduce travel time of inspectors and just streamline these processes? Mr. Maute, is that something that you think would work?

Mr. MAUTE. Yes, I do think that would work, and we are seeing it work. Following the pandemic, a lot of inspections went from being in person to being virtual, whether it was submitting videos, to as simple as someone carrying their phone and FaceTiming or Skyping with folks to show them the work that had been done. Those inspections, those review processes were just as efficient, if not more, than the in-person inspections. I do not think anything was lost when we did that and are continuing to do that.

Mr. TIMMONS. If somebody was incentivized to create a really good video that would cut down on travel time and allow someone to basically spend 15, 20 minutes, whereas a personal inspection would take hours. I just feel like that is a really easy, streamlined, cost-saving mechanism and delays, time is money, and if we could streamline that portion, I think it would be a step in the right direction.

I am out of time. I thank the witnesses for being here today. With that, Mr. Chairman, I yield back.

Chairman FLOOD. The gentleman yields back.

The gentleman from Wisconsin, Mr. Fitzgerald, is now recognized for 5 minutes.

Mr. FITZGERALD. Thank you, Chairman.

Obviously, you are well aware we have a situation where there are just many young adults who cannot afford a down payment on a home, and builders are not necessarily incentivized to create enough starter homes or entry-level homes for younger generations to begin to build wealth. Instead of the Federal Government being the answer to everything, I know there are some attempts at the local level, and I would love to hear if you are aware of some of those.

The example I continue to cite is the Next Generation Housing Initiative. It is in Washington County, which is in my district in Wisconsin. It is a locally driven effort to expand affordable home ownership for middle-income families by developing about 1,000 units of new owner-occupied homes by 2032. This is real. This is really happening right now. It was backed by \$10 million, which was a county investment. The program provided infrastructure subsidies to developers and down payment assistance to buyers, up to \$20,000 per home. What it does is it sets kind of a clear affordability target. It requires that 40 percent of the homes be sold under \$340,000, and all of them have to be under \$420,000, all right? So, I think there are some things we could do at the Federal level to assist some of these types of programs to reduce development costs and expand housing options. The initiative also promotes zoning reforms, which talk to any Wisconsin home builder right now, is a big part. We talked a little bit about the underground and everything, all the prep that needs to be done before a lot is ready to go and then a public-private advisory group that oversees the effort.

There are some other options, too. There is some volunteerism that young couples can get engaged in if they want to earn some of those credits.

I think, Mr. Maute, have you heard of any of these types of programs? Are you aware of anything that is being done at the local level that is similar to this?

Mr. MAUTE. Where I work, we focus solely on multifamily, so I am not as familiar with some of the single-family programs. There are some States we operate in that will have a single-family State housing credit that folks can use. As far as on my day-to-day in utilizing those programs, I have not.

Mr. FITZGERALD. Yes. Mr. Garcia, are you aware of anything? I know there was some stuff—the last time we had a hearing, I think it was in mid-May, there was some discussion about a program in Colorado that is very similar in some smaller mountainous towns I know.

Mr. GARCIA. I think there are a couple examples, both at the State level and the local level, where you have assistance for first-time homebuyers or just homebuyers in general. California has a statewide program called Dream for All. I think it is wildly over-subscribed, which tells you about the need for something like down payment assistance, and I think there is something to that.

I think the challenge is, without a commensurate increase in housing supply, you are not necessarily going to drive the cost of the housing down, so the down payment assistance is useful. We also need to think about, okay, we need to increase housing supply overall.

So, to your point about no incentive to build, say, starter homes, this is where a lot of the zoning reform, land use regulation changes come into play. Where you zone and plan for smaller starter homes that we used to build pretty routinely. Those are the kinds of things that if we can get the market working right to provide those, those are going to be naturally more attainable than the kind of larger homes that we see going for kind of exorbitant prices today.

Mr. FITZGERALD. Right. Density should be our friend in many of these projects, right? Not everybody can have a three-bedroom, two-bathroom home. A lot of what is needed are these starter-type homes.

I was just going to ask, Mr. Baier, do you see a role for—and have you experienced in the banking industry a role for financial institutions on this front?

Mr. BAIER. I appreciate the question. As I begin to think about my State, we are seeing partnerships. To your point, volume is really where we are at in terms of keeping costs down and providing the supply of homes. We currently, under our Rural Workforce Housing Program, have four different towns that have literally contracted with one townhouse developer because there was not enough demand in one community. They are then literally pooling their resources and saying, my community will guarantee 12, my community will guarantee 20, and this developer now is ready to embrace 40 to 60 townhomes in a very rural area. So, we think that volume is important. Our banks are coupling that with, again, low-interest loans or first-time homebuyer loans as part of that process.

I applaud the work that you have done with the Access to Credit for our Rural Economy (ACRE) Act, which would, again, provide another tool—

Mr. FITZGERALD. Yes.

Mr. BAIER [continuing]. to help with lower-cost mortgages. I think there are a lot of opportunities out there to build volume and keep costs down.

Mr. FITZGERALD. Thank you for being here. I yield back.

Chairman FLOOD. Thank you. The gentleman yields back.

The gentlewoman from Massachusetts, Ms. Pressley, is now recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Chairman Flood and Ranking Member Cleaver, for this truly critical hearing.

As I have said many times before, housing is the number one issue I hear about from my constituents in the Massachusetts 7th, and I am sure it is the same for all of my colleagues representing rural districts. Urban and rural housing issues, urban and rural housing issues are not opposites and not totally different.

When we talk about rural housing, we cannot ignore the ripple effects of public health crises such as the opioid epidemic and how they intersect with housing insecurity and incarceration. To illustrate this point, let me tell you two stories that on the surface may look different, but at their core are remarkably similar.

A story not uncommon in major cities is that of Emiliano, who lived in public housing his entire life, but after he served time for a nonviolent drug offense, he was barred from returning home. Un-

able to find employment due to his record, he started his own business and began the difficult journey of rebuilding his life but every time he applied for housing, his record shut the door in his face. Despite doing everything right, he lacked stable housing and has to stay with different relatives couch-surfing. He served his punishment, but he was still being penalized for no legitimate reason.

In rural districts, there are stories like Maria, a mother of two who became addicted to opioids after a workplace injury. She was convicted for a possession charge and never served time but in her small town, there are only a few landlords, and they use third-party screening services that automatically flag anyone with a record. Like Emiliano, she was shut out before she even got a fair chance. With no place to go, her kids were placed into foster care, and she had to live in her car trying to fight addiction while rebuilding from nothing.

These stories, one urban, one rural, are playing out all over the country. The opioid crisis, mass incarceration crisis, and the housing crisis are not separate issues. They are deeply connected. This is why I introduced the Housing First Act to ensure old or irrelevant criminal records do not deny people who are trying to reenter society and rebuild their lives to provide them with ability to access housing.

Mr. Lipsetz, in your view, would improving access to housing for people with criminal records, including those recovering from opioid addiction, reduce recidivism and improve community stability?

Mr. LIPSETZ. Thank you for your question, Congresswoman. At the beginning of this hearing, Chairman Flood gave a perfect description of how housers like us sitting here do not need to be in the business of who is moving into the unit. We need to provide excellent units, high quality, and if they are coming in with a record of having served time or other issues, that is not our business. That is overregulation and overreach by the Federal Government. We need to be able to equally house folks who are coming into our front doors without asking us, as the owners or financiers of these properties, anything about that personal record.

I would gladly house the families that you are talking about in the units we work with, and we are able to as a CDFI unless there are other public moneys in the property. That is not my business. I am a houser, and every single American who knocks on the front door, who needs a place to live, that is my job.

Ms. PRESSLEY. Thank you. Mr. Lipsetz, have you seen models of public housing agencies or nonprofits partnering with treatment or reentry programs to implement this kind of supportive housing approach?

Mr. LIPSETZ. Yes, not for my current work, but for a previous employer. I did see Oakland Housing Authority partnering with its county to do reentry programs, being able to set aside some of its Section 9 public housing units for that use specifically. It was an extraordinarily well-received program in the city of Oakland and functional for the families that had someone coming back, a head of household who had been incarcerated, to reunite with children. It is not a rural story—

Ms. PRESSLEY. Thank you.

Mr. LIPSETZ [continuing]. I am telling you.



Ms. PRESSLEY. Thank you. Thank you very much. So the point is, if we do not make safe and affordable housing accessible to people who are trying to get back on their feet, overcome their drug addiction, and just provide for their families, we are just reinforcing the cycle of homelessness and incarceration. Sam agrees.

My Housing First Act offers a pathway to treat people with dignity and to break this vicious cycle in urban, suburban, and rural communities.

Thank you, and I yield back.

Ms. DE LA CRUZ [presiding]. Thank you. Hello, good afternoon. I would like to recognize myself, Congresswoman Monica de la Cruz.

I have the honor of representing a rural district in deep south Texas on the border, McAllen. Housing is something of great importance, not only because it is a rural community, but also because of the economic challenges that we have down there. I am committed to finding affordable housing solutions for the people in my district and really for across the country.

South Texas is seeing innovative building solutions. As you know, the population of Texas is increasing by leaps and bounds, and so we are looking for low-cost solutions. There is a Starbucks locally that has opened a 3D-printed building, a 3D-printed Starbucks. It is a low-cost modular. Low-cost modular homes are being constructed in rural areas by nonprofits, “come dream. come build” in partnership with multiple U.S. banks. There is the largest 3D neighborhood nearing completion in the State of Texas. These are innovative solutions to our building and housing challenges.

My question is for Mr. Garcia. What do you see as the largest obstacle private companies face when seeking to deliver low-cost, innovative housing solutions like modular or 3D-printed homes to our rural communities?

Mr. GARCIA. Thank you for the question, Congresswoman. There are a few challenges that offsite or industrialized construction builders face. The first is that many times local rules or regulations do not allow for that kind of housing to be sited in specific neighborhoods. So, you may have a zoning regulation that forbids any type of manufactured housing that may be rooted in kind of an outdated view of what manufactured housing really is or looks like.

Ms. DE LA CRUZ. Those would be local policies, correct?

Mr. GARCIA. Those are local, yes. We mentioned this earlier, but there are some outdated rules at HUD that we should be examining and revising as well. There is mention of the permanent steel chassis rule. If we were to remove that, it would reduce costs and time to build manufactured housing pretty significantly and, particularly in places where you have a high cost of housing, those kinds of changes can be really impactful to bring more affordable housing.

Ms. DE LA CRUZ. For the American public that is listening right now, what is the chassis rule?

Mr. GARCIA. So the chassis rule is essentially a rule by HUD that says that any home that is manufactured needs to have a steel chassis to be permanently—or if it is not going to be permanently affixed, so that it can be moved, even though the vast majority of manufactured homes never move once they are sited. So, we have

an unnecessary amount of extra materials that go into a manufactured home that really do not need to be there.

Ms. DE LA CRUZ. What is the percentage of manufactured homes that actually move?

Mr. GARCIA. I think it is pretty low. I do not have a statistic off the top of my head, but it is shockingly low.

Ms. DE LA CRUZ. Thank you. We need to continue to innovate and find solutions to the challenges that our rural housing communities are facing. Data from the National Association of Realtors shows we are only building one new home for every two new jobs created nationally and this ratio is often worse in rural communities. Meanwhile, rural housing development faces unique infrastructure challenges, including inadequate roads, utilities, and broadband access, plus higher per-unit construction costs due to smaller project scales.

Mr. Garcia, again, what specific Federal programs or policy changes would you recommend to make rural housing construction economically viable for developers?

Mr. GARCIA. Thank you for the question. I think to make more projects economically viable; we really just need to look at the cost of construction. As we noted earlier, costs of construction are high across the country, but are particularly, I would say, harmful in rural communities where it costs more to bring materials to the sites, it costs more to source labor and contractors. So, anything we can do to bring down materials and labor costs is going to be really important to making those projects work better.

Ms. DE LA CRUZ. Thank you. I yield back.

I now recognize the gentleman from Montana. Mr. Downing is now recognized for 5 minutes.

Mr. DOWNING. Thank you, Madam Chair, and I thank the chairman for putting this together. I really appreciate the constructive dialog today on barriers to rural housing development.

Just a couple of stats. Montana's 2nd Congressional District that I represent is the largest by land mass after Alaska, so we have a lot of dirt and a lot of long roads. A couple of things I have talked about in this committee, in the past, but I really think about the path to ownership being that fundamental part of the American dream, and I think of the limiting factors there. I talk to folks about the small amount of increase in building a home and how many potential buyers that even a small, modest increase price out of the market and how important that is.

Something that really sticks in my mind is the 24 percent of the current average single-family home sale price is from regulations across all levels of government, so things that I think about.

I am going to shift gears here for a second because I would like to focus my initial questions on communities that are frequently left out of these discussions, and those are tribal communities. Montana is home to seven federally recognized Indian reservations, and each one plays a critical role to the local community and culture. Native American residents in Montana, especially those living on reservations, experience significantly lower homeownerships, up to 12 percent lower than Montana's overall population.

I am going to start with Mr. Garcia. Can you describe the unique challenges that Native Americans face when it comes to homeownership?

Mr. GARCIA. Thank you for the question, Congressman.

Some of the unique challenges include pretty significant rates of poverty. When you have that kind of impoverishment in any community, it is going to be difficult for them to not just pay the rent but save any sort of money to make a down payment and build wealth.

I think the other challenge that they can face is just access to credit and financing sources. It is just not available to the tribal communities like they are to the broader public.

Mr. DOWNING. Thank you. Mr. Lipsetz, do you have anything to add to that?

Mr. LIPSETZ. Thank you, Congressman. Yes, we have actually worked with the Northern Cheyenne Tribe in your district quite a bit, and it is access to credit. It is not just the regulatory costs that you were mentioning, 24 percent, which I think everybody here finds a challenge with that, but the cost of capital delivered to the reservation without a well-structured banking environment, or a lot of financial services is going to cost the individual family more.

One of the few ways that I have seen that addressed well is there is a very strong network of native CDFIs that can de-risk that lending for private organizations. They are not trying to grab market share. They are bringing in a portion of the cost of the house to bring it down for the private lender, and being able to fund those native CDFIs is a not-small piece of the puzzle.

Mr. DOWNING. Thank you. Back to Mr. Garcia. What combination of Federal housing assistance and technical support can help rural native communities leverage private sector investments?

Mr. GARCIA. I do not know if I have a good answer to that question. I would defer back to some of my colleagues on that.

Mr. DOWNING. Mr. Lipsetz?

Mr. LIPSETZ. I am sorry, sir. Could you repeat the question?

Mr. DOWNING. What combination of Federal housing assistance and technical support can help rural native communities leverage private sector investments?

Mr. LIPSETZ. As housers, it is the hardest part of the portfolio to support. Native housing on reservation is extraordinarily expensive and challenging. There is a piece in the Rural Housing Service Reform Act sponsored by Senator Rounds and Senator Smith, a bipartisan piece of legislation that would take USDA's 502 Direct program, take a portion of the funding for that, and lend it to the tribe. The tribe itself then can make the loan to the individual household on the ground, and they have done this successfully in a demonstration program.

If RHS Reform Act moves, I strongly recommend that being one of the principles in there because folks like Northern Cheyenne and others can actually then access a loan from a trusted lender on reservation.

Mr. DOWNING. Thank you. In my last seconds here, I am going to switch gears to housing more generally. I will go to Mr. Baier. What role can public-private partnerships play in addressing rural

housing shortages? What are some effective models you have seen that align private capital with local or regional development goals?

Mr. BAIER. Great. Thank you for the question. I think a lot of it, first and foremost, is on lot development, making sure we have a place to place homes in terms of public-private partnerships, and then also developing those partnerships between local developers and the various tools we have talked about at the State level and eliminating friction that exists because right now, it is almost impossible because of the friction to make them doable.

Mr. DOWNING. Right. Thank you. Unfortunately, I have run out of time, so Madam Chair, I yield.

Ms. DE LA CRUZ. Thank you. The gentlewoman from Colorado, Ms. Pettersen, is now recognized for 5 minutes.

Ms. PETERSEN. Thank you, Madam Chairwoman, and thank you to everybody for being here today. My name is Brittany Pettersen. I represent Colorado's 7th congressional District. This is Sam. Hopefully, he will be good throughout this testimony.

I really appreciate the conversation on an issue that is so important to my State, to all of us across the country. In Colorado, we are dealing with unique challenges as we have seen climate continue to increase costs for insurance and because of the climate disasters that have been coming throughout Colorado, increased wildfires and hail. This is Davis. He is not being as good as the baby here, buddy.

Our State is being hit with not just an undersupply of housing but also the rising insurance costs. We have seen that some people are unable to get insurance at all. Right now, we are actually 100,000 homes short of what is needed, and the premiums for insurance are nearly up 60 percent. The number one driver is from hail damage. So we know we are seeing this crisis across the country, and nationally, prices have surged nearly 50 percent, and rent is up over 25 percent over the last 5 years.

Unfortunately, instead of actually addressing these challenges, the Trump Administration has delayed housing funding, undermined the agency's task with housing assistance, and the President has proposed slashing housing investments across the country. This would be devastating to Colorado and our urban communities, but also especially our rural communities. We have also seen an increase in costs because of the instability with tariffs and the rising costs there as well.

So, Mr. Lipsetz, as we have seen more extreme climate-driven natural disasters across the country, and unfortunately, the move to eliminate the BRIC program, which invests in pre-disaster mitigation and strengthens our resiliency. Since I led a letter opposing this and demanding an answer and still have not received anything from the administration on their move to do this, can you please answer, to take a stab at it since we have not heard back, and what opportunities the BRIC program provided and how important it is?

Mr. LIPSETZ. As I said to your colleague from Michigan just a bit ago, the BRIC program is not something I have expertise in. It is not a program I know well. I know that most of the work we do at the Federal level, we do not have a lot of regulatory control over insurance and insurance costs, but that the borrowers that we

work with are facing much higher increases than you just described because it is mostly in the multifamily sector facing significant costs from that.

Our effort at the Federal level has been more for resiliency. We have called for better per-unit funding for programs so that we can get ahead of disaster, so that we can make the homes more resilient and be able to work with the insurance companies to bring that cost down. BRIC is, again, not a program I know well.

Ms. PETTERSEN. Thank you for answering that. I know it is important when we look at building resiliency and how we are building new types of homes and thinking about things differently with climate change. The Trump Administration's budget proposal eliminates a majority of rural housing programs, including Section 502, the single-family direct loans, the Section 523 mutual and self-help housing grants, and the 523 land development loans, which is alarming to me when I think about the challenges some of my mountain communities are facing when we have seen an increase in people moving there as they are able to work remotely and people who have lived there their entire lives being unable to stay in their communities. So, can you speak on the effectiveness of these housing programs and the impacts to our rural communities?

Mr. LIPSETZ. I would love to. The proposal in the President's budget would be devastating for rural communities. To zero out the programs that are funding some of the only development happening in those towns would be an unconscionable move for those folks.

I have to commend the House and the leadership in the House now of the mark that you guys put together for the budget of restoring some of those programs, so thank you very much. Breathe a small sigh of relief. Hopefully, we are not talking about zeroing out some of the only production and preservation programs that Colorado families and others are depending on.

Specific to the 502 Direct program, this is an extraordinarily effective program where you are taking families at some of the lowest credit score levels with modest income, putting them into home ownership for only about \$9,000 per unit for a lifetime. It is an important program.

Ms. DE LA CRUZ. Time has expired.

Ms. PETTERSEN. Oh, thank you, Madam Chairwoman, and thank you for your comments.

Ms. DE LA CRUZ. The chair now recognizes the gentleman from Iowa. Mr. Nunn is recognized for 5 minutes.

Mr. NUNN. Thank you very much, Madam Chairwoman, for holding this, and thank you very much for the panel being here talking on a very important issue, affordable housing, particularly rural affordable housing in places like Iowa.

Iowa, like much of America, faces a growing affordable housing crisis. Nearly 40 percent of Iowans spend at least 1/3 of their overall take-home salary just on being able to afford a place to live, and it is not that expensive, my friends, in Iowa.

Our rural communities are already grappling with population decline and economic strain, risk of losing the very housing that keeps seniors, families, working Iowans, farmers rooted in our most rural communities. My constituents are not asking for a handout.

Let us be clear. They are asking for a fair chance to live where their parents and their grandparents worked, where they worshipped, where they started a new life.

Modernizing USDA's delivery system, expanding loan terms from 2 to 5 years, and allowing funding for site development activities like surveying and design, these reforms do not represent radical ideas, they represent common sense. They help us root out fraud, and they advance meaningful reform. We recognize this common sense in Iowa, which is why I have worked with my friend across the aisle, Ranking Member Cleaver here, on delivering bipartisan reforms to USDA's rural housing program.

Mr. Lipsetz, I am going to turn to you. I know you are the Democrats' witness, but I think we are looking for comprehensive bipartisan solutions here. One of the programs we are reviewing is Section 515, which just happens to be the area code for rural Iowa and Des Moines. A program that Iowa adopted earlier, today the State manages about 180 properties and more than 3,600 apartment units under this program. These properties provide critical housing in towns where no other affordable housing option exists, but we are losing them, and we are losing them quickly. When you work with many of these properties that you are working with today, what challenges do you see in recapitalizing them?

Mr. LIPSETZ. Thank you for your question, Congressman. I think, as you may have heard throughout this hearing, you would be hard-pressed to pick a Democratic or Republican witness out. It might have been who invited us, but there has been an extraordinary amount of continuity across, in the same way that your work with Congressman Cleaver represents the Strategy and Investment in the Rural Housing Preservation Act. It lays out an authorization for programs that are needed for that capitalization. You are authorizing \$200 million a year for the Multi-Family Housing Preservation and Revitalization (MPR) program at USDA, which would do exactly what you just called for.

If we gain the support of the rest of the members around, that bill also does one of the most fundamental elements you could do for the multifamily housing programs at USDA, which is to decouple rental assistance from the mortgage. The moment you pay your last mortgage payment, you have lost your ability to get that very modest subsidy to continue to house folks who are in the building today, decouple the two, allow for the rental assistance to continue, and you have helped a small business person in Iowa or someone else whose business just happens to be owning property and renting it out to continue to work.

Without that reform, the 380,000 units that remain are gone in 20 years. My organization has done that analysis. Two years from now, 2027, the rate of decline of the program is going to skyrocket. It is crisis time. Like we need action on that, and a lot of it shows up in the Strategy and Investment in Rural Housing Preservation Act that you have been involved with, and I am thrilled to see you pushing that agenda.

Mr. NUNN. Mr. Lipsetz, thank you, and I think you are absolutely right. This is a crisis we can avert if we start working on it today. Again, I want to say thank you to the bipartisan effort on this.

Mr. Maute, I will turn to you, the work that you have done as well. One of the challenges that I think we have noted here is outdated technology and limited USDA staffing undermining the government's ability to track compliance, waste, fraud, and abuse, and then USDA becomes a roadblock for a lot of this rather than an aid. Could you talk to us a little bit about what we could do to help fix the USDA challenges?

Mr. MAUTE. Absolutely. Thank you for the question. So yes, RD is full of great people and great staff that care a lot about what they do. They are certainly hampered by their outdated technology. Their information technology (IT) is, no exaggeration, 35 to 40 years behind. Us as borrowers and owners cannot simply go on and look at a loan balance. We have to contact someone to do that for us. So one, investments in IT, investments in staff and training would go a long way to speed up the approval processes that we need to develop the housing that we build.

At CARH, we met with both USDA and HUD staff early this year and presented memos to them on ways to improve their procedures and their work that they do, and we have submitted those to the committee for review.

Mr. NUNN. Thank you very much. This is coming directly from my homeowners, my property builders in Iowa, as well as those who want to rent. Let us have it stronger going forward.

Thank you, Madam Chair, for the opportunity to join.

Ms. DE LA CRUZ. The gentlewoman from Oregon is now recognized, Ms. Bynum, for 5 minutes.

Ms. BYNUM. Thank you, Madam Chair.

USDA Rural Housing Service and Federal Housing Administration programs serve as crucial lifelines for homeownership in rural America, and rural communities face unique challenges with limited access to credit, which restricts funding options for potential homebuyers. These Federal programs also provide affordable financing options that would not otherwise exist in many rural communities, and I believe that we should look to find ways to strengthen these programs and not cut them so that they are reaching more families.

My question is for Mr. Lipsetz. What specific improvements to USDA Rural Housing Service and Fair Housing Administration (FHA) programs would you recommend to better serve rural homebuyers and how can we streamline these programs to make them more accessible while ensuring they are adequately funded and staffed to meet growing demand in underserved rural markets?

Mr. LIPSETZ. Congresswoman, thank you for the question. Very specifically, extend the loan terms of the 502 loan up to 40 years to help more households qualify. Allow USDA to release 502 borrowers from liability when their loan is assumed or transferred to a new borrower. Clarify for them that homeowners with a Section 502 loan can operate in-home childcare centers and the other things which are very common in rural places. We use our homes for many things, including our small businesses. Allow for properties with existing Accessory Dwelling Units (ADUs) to be eligible also for the 502 Guarantee Program.

These are all common sense, bipartisan reforms that we just talked about, the Strategy and Investment in Rural Housing Pres-

ervation Act, which your ranking member and colleague have supported. There is a Rural Housing Service Reform Act, which takes all of those principles and expands it to include the things I just listed for USDA's single-family housing programs. This is often the only loan that is happening for rural homeowners to be able to use in some of these towns. Take those away, and we are going to significantly reduce the number of homeowners in small towns building generational wealth and housing their families in a decent manner.

Ms. BYNUM. Thank you. Also, my second question, Mr. Lipsetz, is President Trump's proposed budget cuts to the USDA by \$7 billion and the Department of Housing and Urban Development by \$33 billion, do you think that this will make these programs more effective at helping to lower the cost of housing or less?

Mr. LIPSETZ. Thank you for your question. Far less. What we do as rural housing folks is we are seeding local economies with housing preservation and production that allows the private market to grow. These are places where the private market is not functioning well and needs a bit of gas in the tank through CDFIs, through the programs at USDA and HUD. If you can get that dollar to a local community, the members in CARH, who sits next to me, can take those and use them as private owners to continue to develop. Right now, the level of dysfunction in some of these local economies is not allowing them to move forward.

If you take that little—little, by the prospect of the whole Federal Government—if you take that little bit of subsidy out, you are never going to build a private market to function there, and you are certainly not going to house the folks who are there today who need it right now.

Ms. BYNUM. So, do you expect rural homebuyers would be benefited by cuts to programs designed to address rural housing affordability issues?

Mr. LIPSETZ. Certainly not, and I commend the House on their mark of having restored many of those programs compared to the President's budget. It was a bold move on your part and much appreciated from a small-town perspective.

Ms. BYNUM. Thank you. I think, Madam Chair, it is critical that we use our responsibility as members sitting on this committee to examine the root causes of why fewer and fewer people, especially younger Americans and people in rural areas, believe that the path to homeownership is becoming unattainable. I think everyone on this committee can agree that we are going through a housing crisis in this country. When the cost of building and buying a home is at record highs, we should be bolstering homeownership and homebuilding programs, not cutting them. So, let us make owning a home an attainable goal for all Americans.

Thank you, Madam Chair. I yield back.

Ms. DE LA CRUZ. I would like to thank all the witnesses for their testimony today.

Without objection, all members will have five legislative days to submit additional written requests for the witnesses to the chair. The questions will be forwarded to the witnesses for their response. Witnesses, please respond no later than July 17, 2025.

[The information referred to can be found in the appendix.]



This hearing is now adjourned.

[Whereupon, at 3:12 p.m., the subcommittee was adjourned.]



## **APPENDIX**

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### **MATERIALS SUBMITTED FOR THE RECORD**

**[DISCUSSION DRAFT]**

119TH CONGRESS  
1ST SESSION

**H. R. \_\_\_\_\_**

To establish a permanent rural housing preservation and revitalization  
program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. \_\_\_\_\_ introduced the following bill; which was referred to the  
Committee on \_\_\_\_\_

**A BILL**

To establish a permanent rural housing preservation and  
revitalization program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Strategy and Invest-  
5 ment in Rural Housing Preservation Act of 2025”.

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1 **SEC. 2. PERMANENT ESTABLISHMENT OF HOUSING PRES-**  
 2 **ERVATION AND REVITALIZATION PROGRAM.**

3 Title V of the Housing Act of 1949 (42 U.S.C. 1471  
 4 et seq.) is amended by adding at the end the following  
 5 new section:

6 **“SEC. 545. HOUSING PRESERVATION AND REVITALIZATION**  
 7 **PROGRAM.**

8 “(a) ESTABLISHMENT.—The Secretary shall carry  
 9 out a program under this section for the preservation and  
 10 revitalization of multifamily rental housing projects fi-  
 11 nanced under section 515 or both sections 514 and 516.

12 “(b) NOTICE OF MATURING LOANS.—

13 “(1) TO OWNERS.—On an annual basis, the  
 14 Secretary shall provide written notice to each owner  
 15 of a property financed under section 515 or both  
 16 sections 514 and 516 that will mature within the 4-  
 17 year period beginning upon the provision of the no-  
 18 tice, setting forth the options and financial incen-  
 19 tives that are available to facilitate the extension of  
 20 the loan term or the option to decouple a rental as-  
 21 sistance contract pursuant to subsection (f).

22 “(2) TO TENANTS.—

23 “(A) IN GENERAL.—For each property fi-  
 24 nanced under section 515 or both sections 514  
 25 and 516, not later than the date that is 2 years  
 26 before the date that the loan will mature, the

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1 Secretary shall provide written notice to each  
2 household residing in the property that informs  
3 them of the date of the loan maturity, the pos-  
4 sible actions that may happen with respect to  
5 the property upon that maturity, and how to  
6 protect their right to reside in federally assisted  
7 housing after that maturity.

8 “(B) LANGUAGE.—Notice under this para-  
9 graph shall be provided in plain English and  
10 shall be translated to other languages in the  
11 case of any property located in an area in which  
12 a significant number of residents speak such  
13 other languages.

14 “(c) LOAN RESTRUCTURING.—Under the program  
15 under this section, in any circumstance in which the Sec-  
16 retary proposes a restructuring to an owner or an owner  
17 proposes a restructuring to the Secretary, the Secretary  
18 may restructure such existing housing loans, as the Sec-  
19 retary considers appropriate, for the purpose of ensuring  
20 that those projects have sufficient resources to preserve  
21 the projects to provide safe and affordable housing for low-  
22 income residents and farm laborers, by—

23 “(1) reducing or eliminating interest;  
24 “(2) deferring loan payments;

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1           “(3) subordinating, reducing, or reamortizing  
2     loan debt; and

3           “(4) providing other financial assistance, in-  
4     cluding advances, payments, and incentives (includ-  
5     ing the ability of owners to obtain reasonable re-  
6     turns on investment) required by the Secretary.

7     “(d) RENEWAL OF RENTAL ASSISTANCE.—

8           “(1) IN GENERAL.—When the Secretary pro-  
9     poses to restructure a loan or agrees to the proposal  
10    of an owner to restructure a loan pursuant to sub-  
11    section (c), the Secretary shall offer to renew the  
12    rental assistance contract under section 521(a)(2)  
13    for a 20-year term that is subject to annual appro-  
14    priations, provided that the owner agrees to bring  
15    the property up to or maintain the property at such  
16    standards that will ensure maintenance of the prop-  
17    erty as decent, safe, and sanitary housing for the  
18    full term of the rental assistance contract.

19    “(2) ADDITIONAL RENTAL ASSISTANCE.—

20           “(A) IN GENERAL.—With respect to a  
21    project described in paragraph (1), if rental as-  
22    sistance is not available for all households in  
23    the project for which the loan is being restruc-  
24    tured pursuant to subsection (c), the Secretary  
25    may extend such additional rental assistance to

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1 unassisted households at that project as is nec-  
2 essary to make the project safe and affordable  
3 to low-income households.

4 “(B) UNAVAILABLE PROPERTY.—In the  
5 event that a property is not available to provide  
6 additional rental assistance to households under  
7 subparagraph (A), the Secretary may offer a  
8 rural housing voucher to those households.

9 “(e) RESTRICTIVE USE AGREEMENTS.—

10 “(1) REQUIREMENT.—As part of the preserva-  
11 tion and revitalization agreement for a project, the  
12 Secretary shall obtain a restrictive use agreement  
13 that obligates the owner to operate the project in ac-  
14 cordance with this title.

15 “(2) TERM.—

16 “(A) NO EXTENSION OF RENTAL ASSIST-  
17 ANCE CONTRACT.—Except when the Secretary  
18 enters into a 20-year extension of the rental as-  
19 sistance contract for a project, the term of the  
20 restrictive use agreement for the project shall  
21 be consistent with the term of the restructured  
22 loan for the project.

23 “(B) EXTENSION OF RENTAL ASSISTANCE  
24 CONTRACT.—If the Secretary enters into a 20-  
25 year extension of the rental assistance contract



1 for a project, the term of the restrictive use  
2 agreement for the project shall be for 20 years.

3 “(C) TERMINATION.—The Secretary may  
4 terminate the 20-year use restrictive use agree-  
5 ment for a project before the end of the term  
6 of the agreement if the 20-year rental assist-  
7 ance contract for the project with the owner is  
8 terminated at any time for reasons outside the  
9 control of the owner.

10 “(f) DECOUPLING OF RENTAL ASSISTANCE.—

11 “(1) RENEWAL OF RENTAL ASSISTANCE CON-  
12 TRACT.—If the Secretary determines that a matur-  
13 ing loan for a project cannot reasonably be restruc-  
14 tured in accordance with subsection (c) because it is  
15 not financially feasible or the owner does not agree  
16 with the proposed restructuring, and the project was  
17 operating with rental assistance under section 521,  
18 the Secretary may renew the rental assistance con-  
19 tract, notwithstanding any provision of section 521,  
20 for a term, subject to annual appropriations, of 20  
21 years, provided that the owner enters into a restric-  
22 tive use agreement.

23 “(2) ADDITIONAL RENTAL ASSISTANCE.—With  
24 respect to a project described in paragraph (1), if  
25 rental assistance is not available for all households

1 in the project, the Secretary may extend such addi-  
2 tional rental assistance to unassisted households at  
3 that project as is necessary to make the project safe  
4 and affordable to low-income households.

5 “(3) RENTS.—Any agreement to extend the  
6 term of the rental assistance contract under section  
7 521 for a project shall obligate the owner to con-  
8 tinue to maintain the project as decent, safe and  
9 sanitary housing and to operate the development in  
10 accordance with this title, except that rents shall be  
11 based on the lesser of—

12 “(A) the budget-based needs of the project;  
13 or

14 “(B) the operating cost adjustment factor  
15 as a payment standard as provided under sec-  
16 tion 524 of the Multifamily Assisted Housing  
17 Reform and Affordability Act of 1997 (42  
18 U.S.C. 1437 note).

19 “(4) CONDITIONS FOR APPROVAL.—

20 “(A) PLAN.—Before the approval of a  
21 rental assistance contract authorized under this  
22 section, the Secretary shall require the owner to  
23 submit to the Secretary a plan that identifies fi-  
24 nancing sources and a timetable for renovations  
25 and improvements determined to be necessary

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1 by the Secretary to maintain and preserve the  
2 project.

3 “(B) AUTOMATIC APPROVAL.—If a plan  
4 submitted under subparagraph (A) is not acted  
5 upon by the Secretary within 30 days of the  
6 submission, the rental assistance contract is  
7 automatically approved for not more than a 1-  
8 year period.

9 “(g) MULTIFAMILY HOUSING TRANSFER TECHNICAL  
10 ASSISTANCE.—Under the program under this section, the  
11 Secretary may provide grants to qualified nonprofit orga-  
12 nizations and public housing agencies to provide technical  
13 assistance, including financial and legal services, to bor-  
14 rowers under loans under this title for multifamily housing  
15 to facilitate the acquisition of such multifamily housing  
16 properties in areas where the Secretary determines there  
17 is a risk of loss of affordable housing.

18 “(h) TRANSFER OF RENTAL ASSISTANCE.—After the  
19 loan or loans for a rental project originally financed under  
20 section 515 or both sections 514 and 516 have matured  
21 or have been prepaid and the owner has chosen not to  
22 restructure the loan pursuant to subsection (c)—

23 “(1) a tenant residing in the project shall have  
24 18 months before loan maturation or prepayment to  
25 transfer the rental assistance assigned to the unit of

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1 the tenant to another rental project originally fi-  
2 nanced under section 515 or both sections 514 and  
3 516, and such tenants will have priority for admis-  
4 sion over other applicants; and

5 “(2) the owner of the initial project may rent  
6 the previous unit of the tenant to a new tenant with-  
7 out income restrictions.

8 “(i) ADMINISTRATIVE EXPENSES.—Of any amounts  
9 made available for the program under this section for any  
10 fiscal year, the Secretary may use not more than  
11 \$1,000,000 for administrative expenses for carrying out  
12 such program.

13 “(j) AUTHORIZATION OF APPROPRIATIONS.—There  
14 is authorized to be appropriated for the program under  
15 this section \$200,000,000 for each of fiscal years 2025  
16 through 2029.

17 “(k) RULEMAKING.—

18 “(1) IN GENERAL.—Not later than 180 days  
19 after the date of enactment of the Strategy and In-  
20 vestment in Rural Housing Preservation Act of  
21 2025, the Secretary shall—

22 “(A) publish an advance notice of proposed  
23 rulemaking; and

24 “(B) consult with appropriate stake-  
25 holders.

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1 “(2) INTERIM FINAL RULE.—Not later than 1  
 2 year after the date of enactment of the Strategy and  
 3 Investment in Rural Housing Preservation Act of  
 4 2025, the Secretary shall publish an interim final  
 5 rule to carry out this section.”.

6 **SEC. 3. ELIGIBILITY FOR RURAL HOUSING VOUCHERS.**

7 Section 542 of the Housing Act of 1949 (42 U.S.C.  
 8 1490r) is amended by adding at the end the following:

9 “(c) ELIGIBILITY OF HOUSEHOLDS IN SECTIONS  
 10 514, 515, AND 516 PROJECTS.—

11 “(1) IN GENERAL.—The Secretary may provide  
 12 rural housing vouchers under this section for any  
 13 low-income household (including those not receiving  
 14 rental assistance) residing—

15 “(A) for a term longer than the remaining  
 16 term of their lease in effect just prior to pre-  
 17 payment, in a property financed with a loan  
 18 made or insured under section 514 or 515 that  
 19 has—

20 “(i) been prepaid without restrictions  
 21 imposed by the Secretary pursuant to sec-  
 22 tion 502(c)(5)(G)(ii)(I);

23 “(ii) been foreclosed; or

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1                   “(iii) matured after September 30,  
2                   2005 and the property is not receiving  
3                   rental assistance under section 545(f); or  
4                   “(B) in a property assisted under section  
5                   514 or 516.

6                   “(2) PRIORITY.—The Secretary shall prioritize  
7                   the provision of rental housing vouchers under this  
8                   section for projects owned by nonprofit organizations  
9                   and their affiliates or public agencies.”.

10 **SEC. 4. AMOUNT OF VOUCHER ASSISTANCE.**

11                   Notwithstanding any other provision of law, in the  
12                   case of any rural housing voucher provided pursuant to  
13                   section 542 of the Housing Act of 1949 (42 U.S.C.  
14                   1490r), the amount of the monthly assistance payment for  
15                   the household on whose behalf the assistance is provided  
16                   shall be determined as provided in subsection (a) of such  
17                   section 542.

18 **SEC. 5. RENTAL ASSISTANCE CONTRACT AUTHORITY.**

19                   Section 521(d) of the Housing Act of 1949 (42  
20                   U.S.C. 1490a(d)) is amended—

21                   (1) in paragraph (1)—  
22                   (A) by redesignating subparagraphs (B)  
23                   and (C) as subparagraphs (C) and (D), respec-  
24                   tively;

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1 (B) by inserting after subparagraph (A)  
 2 the following:

3 “(B) upon request of an owner of a project  
 4 financed under section 514 or 515 or an owner  
 5 who has entered into a restrictive use agree-  
 6 ment under section 545(e), the Secretary is au-  
 7 thorized to enter into a renewal of such agree-  
 8 ments for a period of 20 years or the term of  
 9 the loan, whichever is shorter, subject to  
 10 amounts made available in appropriations  
 11 Acts;”;

12 (C) in subparagraph (C), as so redesign-  
 13 ated, by striking “subparagraph (A)” and in-  
 14 serting “subparagraphs (A) and (B)”; and

15 (D) in subparagraph (D), as so redesign-  
 16 ated, by striking “subparagraphs (A) and  
 17 (B)” and inserting “subparagraphs (A), (B),  
 18 and (C)”; and

19 (2) in paragraph (2)—

20 (A) by striking “shall” and inserting  
 21 “may”; and

22 (B) by inserting “(other than the authority  
 23 described in paragraph (1)(B))” after “this sec-  
 24 tion”.

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1 **SEC. 6. FUNDING FOR MULTIFAMILY TECHNICAL IMPROVE-**  
 2 **MENTS.**

3 (a) AUTHORIZATION OF APPROPRIATIONS.—There is  
 4 authorized to be appropriated to the Secretary of Agri-  
 5 culture \$50,000,000 for fiscal year 2025 for improving the  
 6 technology of the Department of Agriculture used to proc-  
 7 ess loans for multifamily housing and otherwise managing  
 8 that housing.

9 (b) TIMELINE.—The improvements required under  
 10 subsection (a) shall be made within the 5-year period be-  
 11 ginning upon the appropriation of amounts under sub-  
 12 section (a), and those amounts shall remain available until  
 13 the expiration of that 5-year period.

14 **SEC. 7. PLAN FOR PRESERVING AFFORDABILITY OF RENT-**  
 15 **AL PROJECTS.**

16 (a) PLAN.—Not later than 6 months after the date  
 17 of enactment of this Act, the Secretary of Agriculture (in  
 18 this section referred to as the “Secretary”) shall submit  
 19 to Congress a written plan for preserving the affordability  
 20 for low-income families of rental projects for which loans  
 21 were made under section 514 or 515 of the Housing Act  
 22 of 1949 (42 U.S.C. 1484, 1485) and avoiding the displace-  
 23 ment of tenant households, which shall—

24 (1) set forth specific performance goals and  
 25 measures;



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1 (2) set forth the specific actions and mecha-  
 2 nisms by which those goals will be achieved;

3 (3) set forth specific measurements by which  
 4 progress towards achievement of each goal can be  
 5 measured;

6 (4) provide for detailed reporting on outcomes;  
 7 and

8 (5) include any legislative recommendations to  
 9 assist in achievement of the goals under the plan.

10 (b) ADVISORY COMMITTEE.—

11 (1) ESTABLISHMENT; PURPOSE.—The Sec-  
 12 retary shall establish an advisory committee (in this  
 13 section referred to as the “advisory committee”) to  
 14 assist the Secretary in—

15 (A) preserving properties assisted under  
 16 section 514 or 515 of the Housing Act of 1949  
 17 (42 U.S.C. 1484, 1485) through the multi-  
 18 family housing preservation and revitalization  
 19 program under section 545 of such Act, as  
 20 added by section 2 of this Act; and

21 (B) implementing the plan required under  
 22 subsection (a).

23 (2) MEMBER.—The advisory committee shall  
 24 consist of 16 members, appointed by the Secretary,  
 25 as follows:

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1 (A) A State Director of Rural Develop-  
2 ment for the Department of Agriculture.

3 (B) The Administrator for Rural Housing  
4 Service of the Department of Agriculture.

5 (C) Two representatives of for-profit devel-  
6 opers or owners of multifamily rural rental  
7 housing.

8 (D) Two representatives of nonprofit devel-  
9 opers or owners of multifamily rural rental  
10 housing.

11 (E) Two representatives of State housing  
12 finance agencies.

13 (F) Two representatives of tenants of mul-  
14 tifamily rural rental housing.

15 (G) One representative of a community de-  
16 velopment financial institution that is involved  
17 in preserving the affordability of housing as-  
18 sisted under sections 514, 515, and 516 of the  
19 Housing Act of 1949 (42 U.S.C. 1484, 1485,  
20 1486).

21 (H) One representative of a nonprofit or-  
22 ganization that operates nationally and has ac-  
23 tively participated in the preservation of hous-  
24 ing assisted by the Rural Housing Service by  
25 conducting research regarding, and providing fi-

1           nancing and technical assistance for, preserving  
2           the affordability of that housing.

3           (I) One representative of low-income hous-  
4           ing tax credit investors.

5           (J) One representative of regulated finan-  
6           cial institutions that finance affordable multi-  
7           family rural rental housing developments.

8           (K) Two representatives from nonprofit or-  
9           ganizations representing farmworkers, including  
10          1 organization representing farmworker women.

11          (3) MEETINGS.—The advisory committee shall  
12          meet not less often than once each calendar quarter.

13          (4) FUNCTIONS.—In providing assistance to the  
14          Secretary to carry out the purpose of the advisory  
15          committee, the advisory committee shall carry out  
16          the following functions:

17                (A) Assisting the Rural Housing Service of  
18                the Department of Agriculture to improve esti-  
19                mates of the size, scope, and condition of rental  
20                housing portfolio of the Rural Housing Service,  
21                including the time frames for maturity of mort-  
22                gages and costs for preserving the portfolio as  
23                affordable housing.

24                (B) Reviewing policies and procedures of  
25                the Rural Housing Service regarding preserva-

1           tion of affordable rental housing financed under  
2           sections 514, 515, 516, and 538 of the Housing  
3           Act of 1949 (42 U.S.C. 1484, 1485, 1486,  
4           1490p–2), the Multifamily Preservation and  
5           Revitalization Demonstration program, and the  
6           rental assistance program and making rec-  
7           ommendations regarding improvements and  
8           modifications to those policies and procedures.

9           (C) Providing ongoing review of Rural  
10          Housing Service program results.

11          (D) Providing reports to Congress and the  
12          public on meetings, recommendations, and other  
13          findings of the advisory committee.

14          (5) TRAVEL COSTS.—Any amounts made avail-  
15          able for administrative costs of the Department of  
16          Agriculture may be used for costs of travel by mem-  
17          bers of the advisory committee to meetings of the  
18          advisory committee.

