



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

500 New Jersey Avenue, N.W.
Washington, DC 20001-2020
202.383.1194 Fax 202.383.7580
www.realtors.org/governmentaffairs

Pat Vredevoogd Combs
ABS, CRS, GRI, PMN
President

Dale A. Stinton
CAE, CPA, CMA, RCE
EVP/CEO

GOVERNMENT AFFAIRS
Jerry Giovaniello, Senior Vice President
Walter J. Witek, Jr., Vice President

**STATEMENT OF THE NATIONAL ASSOCIATION OF
REALTORS®**

TO THE

**HOUSE FINANCIAL SERVICES COMMITTEE, SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY HEARING**

ENTITLED

**“RURAL HOUSING PROGRAMS: REVIEW FISCAL YEAR 2008
BUDGET AND PENDING RURAL HOUSING LEGISLATION”**

MAY 9, 2007

REALTOR® is a registered collective membership mark which may be used only by real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® and subscribe to its strict Code of Ethics.



Nearly 20% of the U.S. population live in non-metropolitan areas. Housing conditions in rural areas are generally worse than in urban or suburban neighborhoods. Federal rural housing programs are instrumental in providing affordable housing opportunities to low- and moderate-income rural renters and homebuyers. The National Association of REALTORS® strongly supports federal housing programs that target rural communities and provide sufficient federal assistance needed to meet the housing needs of rural communities.

Many of our rural citizens face a serious housing crisis. Nearly all of the counties with the highest poverty rates in America are rural. As a result, access to an adequate supply of safe, affordable rental units, mortgage financing and housing assistance is especially important in these areas. Approximately 1.9 million rural renters have housing problems; the majority of these renters are spending more than 30% of their incomes for housing. These areas also generally have fewer mortgage lenders competing in the marketplace, a factor that raises the cost of home mortgages.

FY2008 Budget Proposals

The President's FY2008 budget proposal for the U.S. Department of Agriculture's Rural Housing Service (RHS) reflects a preference for loan guarantees and vouchers to provide low-income rental housing. The President's budget proposal eliminates funding for the Section 502 single family direct loan program, while increasing funding for the Section 502 single family guaranteed loan program by 32%. Similarly, the proposal would eliminate funding for the Section 515 multifamily direct loan program (which provides loans to developers of affordable rental housing), while doubling funding for the Section 538 multifamily guaranteed program. Lastly, the budget proposes to increase from 2 to 3 percent, the guarantee fee on new 502 loans.

While NAR's members understand and support programs like loan guarantees that leverage available funds, we also believe that direct loan programs are also very important. In many rural communities, the Section 502 direct loan program is the only housing assistance available. Section 502 homeownership direct loan program loans are used primarily to help low-income households purchase homes. They can be used to build, repair, renovate, or relocate homes, and to purchase and prepare sites, including providing water and sewage facilities. These loans may also be used to refinance debts when necessary to avoid foreclosure or when required to make necessary house repairs affordable. We strongly support the availability of sufficient federal assistance to ensure the Section 502 direct loan program responsibly addresses the housing needs of low and moderate income rural families.¹

Comment [MS1]: Don't care whether you capitalize or not – should just be consistent.

Rental housing is also a critical need in rural communities. Approximately 7.8 million people in non-metropolitan areas in the U.S. are poor. Section 515 Rural Rental Housing Loans are direct, competitive mortgage loans made to finance affordable multifamily rental housing units for very low-, low-, and moderate-income families, elderly persons, and persons with disabilities. Since its inception in 1962, the Section 515 program has provided more than half a million decent rental homes affordable for the lowest income rural residents. We urge Congress

¹ At least 40 percent of appropriated Section 502 funds must be used to assist families with incomes less than 50 percent of area median income (AMI).

to restore construction funding for the Section 515 program eliminated in the President's FY2008 budget so as to enable low-income rural families to find decent, safe, and affordable housing.

We also strongly oppose the proposed increase in the guarantee fee on 502 loans. Increasing the fee will mean that rural low- and moderate-income families will have to pay more for the opportunity to become homeowners. This may cause some families to become ineligible for a mortgage.

Pending Rural Housing Legislation

The National Association of REALTORS® also supports H.R. 1982, the "Rural Housing and Economic Development Improvement Act of 2007", introduced by Rep. Hinojosa (D-TX). This bill would authorize the Rural Housing and Economic Development program at HUD that provides assistance to states and localities for housing and economic development activities in rural communities. The program provides limited funding on a competitive basis to community groups including local rural non-profits, community development corporations, housing finance agencies (HFAs), and economic development agencies. The funding may be used for capacity building and similar support for housing and economic development projects in areas with a population of less than 20,000. This program has been operating successfully at HUD but has not been authorized. HR 1982 would simply authorize the program and deserves Congressional support.

Deleted: ¶

Conclusion

In closing, the National Association of REALTORS® appreciates this opportunity to comment on the needs for rural housing. We thank the Subcommittee for its attention to rural housing, and we urge your strong support of our policy and funding recommendations to improve rural housing opportunities.