

## **Affordable Rural Housing Issues and Recommendations: SUSTAINED ECONOMIC RECOVERY**

Improving the current economy requires fast action to create new jobs and stabilize communities. The U.S. Department of Agriculture's rural housing programs are well situated to contribute to this effort, with a delivery system already in place and a backlog of applications that cannot be funded with current appropriations levels. USDA's housing programs can create jobs, provide stability for workers, make communities viable in the long term, and help save energy and protect the environment, while improving living conditions for low-income rural Americans. Employers make decisions about relocation into, expansion within, or departure from a rural town based in part on the availability of affordable housing for workers. Thus, the Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to add the following amounts to existing appropriations for the following programs.<sup>1</sup>

- **\$1 billion for low-interest, fixed-rate mortgages** through the Section 502 direct homeownership loan program would enable first-time, low-income purchasers to buy 10,000 homes, creating as many as 30,500 jobs. While some places may have an oversupply of for-sale homes, many rural areas desperately need new houses constructed.
- **\$250 million for construction of 3,000 new rental units** financed by the Section 515 rural rental housing program could create almost 3,500 jobs.
- **\$400 million for the Multi-Family Housing Preservation and Revitalization Program (MPR)** would rehabilitate and preserve 14,870 Section 515 rental units and create 4,400 construction jobs over 18 to 24 months.
- **\$100 million for the Section 533 Housing Preservation Grants Program** would be used to rehabilitate 3,500 Section 515 units and create 1,100 jobs.
- **\$20 million for loans and \$80 million for grants in the Section 504 repair program** to would address health and safety concerns 12,000 homes owned by very low-income rural residents while creating up to 1,100 jobs.
- **\$50 million for loans and \$50 million for grants would fund construction of 10,000 rentals** for farmworkers through the Section 514/516 farm labor housing program.
- **\$35 million to help local organizations run "sweat equity" homeownership programs** in rural places using the Section 523 self-help housing program would help hundreds of low- and very low-income families become homeowners for the first time.
- **\$300 million for the Section 521 Rental Assistance program** would make rents affordable for 3,000 low-income rural renters over five years.
- **A proportion of Neighborhood Stabilization Program (NSP) funds in each state should be targeted to rural places.** In many states, rural areas will not receive funds from the first NSP round to address foreclosures because cities have greater numbers of foreclosures and the program structure poses some barriers. Under any additional NSP allocations, each state should be required to use a portion of its funds in non-entitlement areas according to their proportionate share of need as measured by HUD's formula; funds not used by a reasonable date should be returned to the state for re-allocation. In addition, to help make the program accessible to rural places, the provision rolling local sub-allocations of less than \$2 million into the state grant should be eliminated.
- **HAC supports recommendations submitted by others** regarding additional funds in the Department of Housing and Urban Development's programs for public housing and others.

<sup>1</sup> National Association of Home Builders calculations were used to estimate the numbers of jobs that could be generated by these resources.

## **Affordable Rural Housing Issues and Recommendations: PROTECTION AGAINST FORECLOSURE**

The foreclosure crisis – and the subprime and predatory lending on which it is based – affect rural places as well as cities and suburbs. Many rural areas are subject to additional complicating factors such as a shortage of housing counseling resources and a high proportion of renters occupying single-family homes that may be subject to foreclosure. Rural residents would benefit from the same foreclosure protections as urban and suburban Americans. In addition, the Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to protect homeowners against foreclosure when possible, and against predatory lenders in the future, with the following actions.

- △ **Support proposals to eliminate prepayment penalties**, convert adjustable rate mortgages to fixed rate mortgages, allow deferral of payments, expand post-purchase counseling programs, regulate mortgage originators, and the like. Changes that would be particularly important for rural areas include the following.
  - **Provide authority for Section 502 direct loans to be used to refinance** private sector mortgages, including those obtained with USDA Section 502 guarantees, when rural homeowners are in danger of defaulting and cannot afford to refinance through the guarantee program (direct mortgages have lower interest rates and therefore require lower payments). Add Section 502 direct funds for these purposes to the amounts appropriated for all other program purposes.
  - **Help owners of manufactured homes obtain standard mortgages** to replace the high-cost personal property loans that are often used to purchase these structures.
  - **Make special efforts to advertise the availability of Federal Housing Administration (FHA) assistance** in rural areas, which have historically been underserved by FHA programs.
  - **Protect tenants** whose landlords' mortgages are foreclosed by requiring new owners to honor their leases or give them at least 90 days' notice to vacate.
- △ **Maintain the viability of rural self-help "sweat equity" homeownership programs.**
  - **Appropriate \$95 million for the U.S. Department of Agriculture's Section 523 program** in FY 2009, enough to renew expiring contracts to rural organizations that administer self-help programs and to make up for shortfalls in fiscal year 2007 and 2008 funding.
  - **Provide \$2 billion for the Section 502 direct mortgage program**, which provides mortgages for most rural self-help participants (\$1 billion in economic recovery funding and \$1 billion in FY 2009 appropriations).
  - **Provide \$26 million for the Department of Housing and Urban Development's Self-Help Homeownership Opportunity Program**, which helps self-help developers purchase and prepare lots for construction.
- △ **Expand the Community Reinvestment Act (CRA)** through legislation such as the CRA Modernization Act of 2007, H.R. 1289. Ironically, some have targeted CRA as a cause of the foreclosure crisis, although its role has been exactly the opposite. The vast majority of high-cost loans, the most likely to lead to foreclosure, were made by lenders not covered by CRA.

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**Affordable Rural Housing Issues and Recommendations:  
USDA RURAL DEVELOPMENT MISSION AND STRUCTURE**

When the Farmers Home Administration began running the housing programs now overseen by the U.S. Department of Agriculture's Rural Development arm (USDA RD), it was said to be "the lender of last resort," funding new homes and housing improvements for the lowest-income rural Americans who could not obtain financing anywhere else. Before 1994, Farmers Home had an office in almost every rural county in the country, giving it a unique local presence that made its programs accessible to rural residents, even those without telephones.

More recently, however, RD has lost sight of its original mission and philosophy. RD officials have called the agency "rural America's venture capital firm" (2003) and a leader of a "rural renaissance" based on technology (2007). At the same time, cost-saving measures have led to consolidation of many field offices. Clients are now served by regional offices covering numerous counties, loan servicing is centralized in a single national office, and the agency's clients are encouraged to communicate electronically. These changes have not benefited low-income rural residents or their community organizations.

The Housing Assistance Council strongly encourages the Obama Administration and the 111<sup>th</sup> Congress to:

- ⊖ **Reinvigorate the original mission and philosophy of the USDA RD housing programs.** RD does not need to duplicate the private sector's functions. It should be rededicated to assist those who are not served by market-rate loans or by loan guarantees.
- ⊖ **Hold RD leadership accountable for meeting the agency's mission and goals.** Failure to use all available funds does not always indicate a lack of need for housing assistance. Leadership staff must be held accountable for any failures to reach out to communities, hold accessible office hours, obtain training needed, or take other steps to meet housing needs.
- ⊖ **Avoid further consolidation of USDA RD field offices.** Centralization works well for RD's multifamily programs, when the agency's customers are for-profit or nonprofit housing developers, and for water/sewer programs. But rural families needing RD assistance to purchase or repair their homes should be served by people who live near them and share their culture, at least until universal access to high-speed internet and computers are achieved, as well as universal ability to use them. In addition, local offices can implement flexible policies to serve local conditions where a single national model will not fit. Therefore servicing for the Section 502 and 504 programs should remain in local offices.
- ⊖ **Ensure the rural housing programs remain at USDA.** For the same reasons that USDA RD should maintain field offices nationwide, its rural housing programs should not be moved to the Department of Housing and Urban Development (HUD). The differences between rural and urban America are real. USDA's expertise and its established network of offices are needed to deliver housing assistance in rural places.
- ⊖ **Identify and train specialized RD staff.** Not every sub-state office around the country needs expertise in issues like Native American land tenure or rental housing preservation, but expert staff must be available to handle those subjects when they arise.
- ⊖ **Use local community organizations to supplement RD activities.** While some states or parts of states lack effective housing organizations, in many states local organizations have worked closely with RD for decades. In others the two do not have a long-term relationship but could be effective partners. RD would benefit from developing these partnerships whenever possible, as would the low-income rural residents it serves.
- ⊖ **Conduct outreach, based in local languages and cultures,** to ensure that low-income rural residents know the RD programs are available to them.
- ⊖ **Consult with stakeholders,** including community organizations, rural residents, and labor/employee organizations, at the state and national levels regarding RD's structure, goals, and program administration.
- ⊖ **Facilitate coordination of funding programs among housing agencies.** Currently a rural housing organization using funding from HUD, USDA, and other sources must undergo multiple environmental reviews, provide the same information repeatedly, and communicate separately with each funder. Agencies could streamline the process considerably, saving money and time for everyone involved, by coordinating their paperwork and requirements.

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## Affordable Rural Housing Issues and Recommendations: RURAL HOUSING PROGRAM FUNDING LEVELS

Efforts to improve housing conditions for low-income rural Americans could benefit from some new ideas – but tried and true ideas must be retained as well. Most of the U.S. Department of Agriculture (USDA) rural housing programs have proven their effectiveness over several decades, and recent additions at USDA and the Department of Housing and Urban Development (HUD) have added valuable new tools.

Adequate funding levels for existing programs, therefore, are essential to continued progress in rural housing. The Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to:

- △ **Restore and maintain full funding for HUD and USDA housing programs.** Recommended funding levels for key rural housing programs are shown in Table 1.
- △ **Fund and implement the recently authorized national Housing Trust Fund**, which is targeted to develop rental housing for the very lowest income Americans. In 2010, the national Housing Trust Fund created by the Housing and Economic Recovery Act of 2008 should begin receiving funding from Fannie Mae and Freddie Mac that is not subject to the annual appropriations process. This funding could be jeopardized, however, if Fannie Mae and Freddie Mac are in poor financial health in 2010. To make this unique program as effective as possible in addressing the needs of the poorest rural Americans, HAC recommends:
  - **Add other sources of dedicated funding** for the Housing Trust Fund, beginning in FY 2009, in addition to any funds allocated from Fannie Mae and Freddie Mac.
  - **Ensure that HUD's program regulations require states**, which will administer the funds, to provide a fair share of funding to rural areas.
  - **Ensure that by mid-summer 2009 HUD issues initial regulations and the formula it will use to allocate funds to the states**, so that implementation will be fast and smooth when funds become available.
  - **Provide vouchers for tenants in trust fund housing as needed.** For example, in rural areas with very high poverty levels and low median incomes, even the relatively low rents in trust fund housing may be too high for tenants to pay within 30 percent of their incomes.
- △ **Ensure adequate funding to meet the operations and capital needs of public housing.** Although public housing receives little positive attention, it remains a valuable housing resource for the lowest-income people in rural and urban areas. Furthermore, taxpayers have made considerable investments in these properties already. Public housing authorities, whether operating 20 units in a small town or hundreds in a major city, need continued federal support and funding because people continue to need the housing they provide.
- △ **Encourage and fund green building methods.** Efficient use of energy and natural resources, healthy surroundings, and sensitivity to the environment are as important in affordable housing as in market rate buildings.



**Table 1**  
**Recommended Rural Housing Program Funding Levels**  
**Housing Assistance Council**

<b>USDA Rural Development Program</b>	<b>HAC Recommndtn for FY 2009 Approp. (dollars in millions)</b>	<b>HAC Recommndtn for Econ. Recovery (dollars in millions)</b>
<i>Loans and Guarantees</i>		
502 Single Fam. Direct	\$1,000	\$1,000
502 Single Family Guar.	4,800	
504 Very Low-inc. Repair	30	25
514 Farm Labor Hsg.	50	50
515 Rental Hsg. Direct	150	250
538 Rental Hsg. Guar.	150	
<i>Grants and Payments</i>		
Rental Prsrv. Revlg. Loans	*	
504 Very Low-inc. Repair	30	25
516 Farm Labor Hsg.	50	50
523 Self-Help TA	60	35
533 Hsg. Prsrv. Grants	50	
521 Rental Assistance**	997	300
542 Rural Hsg. Vouchers	*	
Rental Prsrv. Demo. (MPR)	50*	400
Rural Cmnty. Dev't Init.	10	
<b>HUD Program</b>		
Rural Hsg. & Econ. Dev. (RHED)	25	

\* HAC recommends a total of \$50 million be appropriated for USDA's Multifamily Rental Preservation Demonstration, Section 542 preservation vouchers, and the Rental Preservation Revolving Loan Fund (PRLF), to be allocated among those three programs by USDA. USDA should allocate at least \$10 million for the PRLF.

\*\* HAC recommends \$997 million to renew expiring one-year Rental Assistance contracts and an additional \$300 million to provide 3,000 new contracts for five years each.

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### **Affordable Rural Housing Issues and Recommendations: SUSTAINING LOCAL RURAL HOUSING ORGANIZATIONS**

Mission-driven community organizations, primarily nonprofits, play an essential role in putting rural housing funds to work in rural places. To use rural housing programs effectively to improve housing and contribute to sustained economic recovery, a strong nonprofit presence is required. To support community-based nonprofit organizations, their employees, and their vital role, the Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to:

- △ **Continue building the capacity of rural housing organizations.**
  - **Appropriate \$12 million per year for the U.S. Department of Agriculture's Rural Community Development Initiative (RCDI)**, which funds intermediary organizations that build organizational capacity for local housing organizations.
  - **Adopt legislation equivalent to H.R. 1982**, authorizing HUD's Rural Housing and Economic Development (RHED) program. This bill passed the House in July 2007. RHED provides scarce federal capacity building and project funding directly to organizations serving small rural communities. Fund RHED at \$25 million per year.
  - **Support programs at two- and four-year colleges**, including minority colleges, that train students in the skills needed to develop housing in their communities.
  - **As part of a national service program** administered by the Corporation for National and Community Service or any other entity, encourage volunteers and unemployed workers to commit time to local housing nonprofits.
- △ **Help nonprofit organizations to obtain much-needed administrative funding.** Housing programs generally emphasize "bricks and mortar" funding, so nonprofit developers must spend time and energy raising money to pay salaries and rent in addition to conducting their housing work. A national housing policy must include the recognition that nonprofits need funds to operate. Some of the many available options include:
  - **Fund local organizations directly**, as the Office of Economic Opportunity did during the War on Poverty.
  - **Modernize indirect cost rates** to allow nonprofits to earn some of their own administrative funds.
  - **Provide incentives for nonprofits to share or merge operations** such as bookkeeping.
  - **Modernize tax laws** so that a housing nonprofit could cover some of its own costs by, for example, developing market rate housing and using the proceeds to finance the administration of its assisted housing programs.
  - **Enhance incentives to for-profit businesses and individuals that make charitable contributions** to community nonprofits.
- △ **Enable nonprofits to compete with local governments for program funding**, or to obtain funding in places where local governments cannot or choose not to apply. Some rural places are unable to benefit from programs such as the Community Development Block Grant and HOME because local governments do not use the programs and nonprofits are not permitted to use them directly. Nonprofits that receive such funds should then be held accountable for their performance.

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### Affordable Rural Housing Issues and Recommendations: VULNERABLE POPULATIONS

The most vulnerable people in the United States often suffer the worst housing conditions. These vulnerable populations in rural areas include residents of Appalachia, the U.S.-Mexico border colonias, the Mississippi Delta, and the southern Black Belt, Native Americans, farmworkers, minorities, people experiencing homelessness, elderly people, and people with disabilities. Their housing needs may be addressed through targeted federal housing programs, such as the Indian Housing Block Grant. Programs targeted to families with very low incomes are also important for special needs populations. Self-help housing, for example, a construction model in which families help build their own homes, works very well to help farm laborers to afford homeownership despite their low and uneven earnings.

The Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to support these programs, both targeted and not, while recognizing that different populations have different needs. Specifically:

- △ **Protect and fully fund housing programs that serve vulnerable populations.**
- △ **Combine national oversight and accountability in these programs with enough local flexibility** to enable local administrators to apply the strategies best suited to specific populations.
- △ **Support programs and applicants based on effectiveness.** A number of “tried and true” models have proven their ability to improve housing conditions for special rural populations. Innovation should not be required in order to win points in a funding competition when existing programs are working well.
- △ **Support dedicated funding for the provision of training, technical assistance, and operating support** to community based organizations serving vulnerable populations.
- △ **Conduct outreach to special populations** in culturally, linguistically appropriate ways to let them know what assistance is available.
- △ **Recognize that improved housing is an integral part of reforms in areas that are often handled separately**, such as health care and immigration, and that housing providers must often provide or find supportive services for their clients. Establish communication and cooperation links at the national and local levels among agencies responsible for these interrelated programs.
- △ **Make vouchers available for tenants in assisted housing developments.** Many vulnerable people subsist on low, fixed incomes, and cannot afford even subsidized rents unless they receive additional aid.
- △ **Provide funding and support so that assisted housing providers can supply elderly and disabled residents with in-home care** as needed to avoid premature institutionalization.
- △ **Take “poverty tours”** like Robert F. Kennedy’s 1968 trip to Appalachian Kentucky to see and hear firsthand what life is like on reservations, in the colonias, in the Mississippi Delta and the southern “Black Belt,” and in other high-poverty rural areas. Include Cabinet officers and members of Congress.

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### **Affordable Rural Housing Issues and Recommendations: DIRECT AND GUARANTEED LOANS**

Among the housing programs administered by the U.S. Department of Agriculture's Rural Development (RD) arm are direct loan programs for homeownership and for development of rental housing, and loan guarantee programs for the same two purposes. The Bush Administration's budget proposals consistently suggested defunding the direct loan programs in favor of the guarantee programs. While guarantees cost the government less than direct loans, the guarantee programs cannot replace the direct loans because they serve different populations.

In 2006 homebuyers receiving Section 502 direct loans had an average income of \$22,992, compared to \$40,442 for homebuyers with Section 502 guaranteed loans.

Similarly, the average income of tenants in developments financed with Section 515 direct loans is just under \$11,000 per year as of April 2008. No comparable figure is available for tenants in properties with private loans guaranteed under USDA's Section 538 program, but in 2005 USDA reported Section 538 tenants averaged about \$18,400 per year.

The Section 502 direct loan program is particularly important in the current economy because it makes homeownership possible for very low- and low-income rural residents who cannot qualify for private mortgages, ensuring that they will not turn to predatory lenders to achieve their dreams.

Thus, the Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to:

- △ **Ensure that direct rural housing loan programs are not replaced by loan guarantee programs that cannot serve the same income levels.** The Section 502 and 515 direct loan programs must be kept in place with full funding, along with the Section 502 and 538 guarantee programs.
- △ **Provide the same protections for Section 502 guaranteed borrowers** as for direct borrowers.
  - **Allow guaranteed borrowers to appeal decisions** regarding their loans.
  - **Implement for guaranteed borrowers the moratorium program** that is available to direct borrowers who are unable to meet payment requirements for reasons beyond their control, such as loss of a job. A payment moratorium could mean the difference between foreclosure and sustainable homeownership for a family.
  - **Rather than requiring the guaranteed lender to liquidate a loan when default occurs, require that guaranteed loans be assigned to the government** prior to liquidation, as direct loans are.

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**Affordable Rural Housing Issues and Recommendations:**  
**RURAL RENTAL HOUSING**

Despite a general neglect of rental housing by national housing policy through most of the first decade of the 21<sup>st</sup> Century, the U.S. Department of Agriculture (USDA) Rural Development (RD) housing office and Congress recognized the need to preserve affordable rental housing in rural America and developed useful demonstration programs that are now ready to be made more broadly available. Past successes also illustrate effective ways to develop new rural rentals for low-income tenants. The Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to:

- △ **Fund the Section 515 rental program at levels comparable to the program's 1994 appropriation of \$512 million.** Affordable rental housing is scarce in many rural places, and new construction has dropped sharply over the last 20 years as Section 515 funds have been cut. Rural housing organizations have made good use of Low Income Housing Tax Credits, but tax credits alone cannot produce rentals affordable to the lowest income rural residents. In 2009, a \$250 million economic recovery appropriation for Section 515 could finance construction of 3,000 apartments and create 3,500 jobs, in addition to those provided by a regular appropriation of \$150 million.
- △ **Provide USDA Section 521 Rental Assistance (RA) or HUD Section 8 vouchers to Section 515 and 514 tenants** who would otherwise pay more than 30 percent of income for rent. The average income of Section 515 tenants is just under \$11,000 (as of April 2008) and more than half of them are elderly or disabled, thus probably living on fixed incomes. Despite the Section 515 assistance to their landlords, 16 percent of Section 515 tenants pay more than 30 percent of their incomes for their homes. The cost of renewing all expiring RA contracts in FY 2009 is almost \$1 billion, assuming that contracts are for only one year and no new RA units are provided – but without RA very low-income tenants cannot afford their rent and property owners often cannot balance their budgets, while without longer-term contracts (e.g., five years) other funding sources are reluctant to participate in projects that seem to have uncertain futures.
- △ **Preserve and revitalize affordable Section 515 and 514 rural rental housing.** These properties are aging, with many badly in need of repairs and renovations. At the same time, some owners want to prepay their mortgages and leave the Section 515 program, often because they hope to convert their apartments to market-rate rentals. Federal intervention is needed.
  - **Implement promptly Section 2833 of the Housing and Economic Recovery Act of 2008** to expedite sales of Section 515 properties to new owners who would keep them affordable for low-income tenants.
  - **Provide permanent authorization for USDA's Multi-Family Housing Preservation and Revitalization (MPR) program**, a successful demonstration that has operated since 2006, enabling owners or new purchasers to revitalize aging properties in exchange for keeping rents affordable. Permanent authorization is also needed for USDA's Preservation Revolving Loan Fund, which makes long-term low-interest loans to intermediary organizations that, in turn, loan funds to preservation owners.
  - **Provide substantial funding for the MPR and PRLF programs.** An additional \$400 million in economic recovery legislation would rehabilitate and preserve 14,870 Section 515 rental units and create 4,400 construction jobs over 18 to 24 months.
  - **Retain current prepayment restrictions** on Section 515 properties financed before 1989.
- △ **Protect tenants of Section 515 and 514 properties.** Provide portable vouchers without time limits for tenants of properties whose mortgages are prepaid or foreclosed, and require owners to allow the tenants to remain in their homes. USDA's voucher program must recertify tenants annually or when households experience hardship such as death or loss of a job. Voucher amounts must be adjusted annually to reflect inflation. Immigration restrictions must be made consistent with those used by HUD, pursuant to the statutory provision that applies to both agencies.
- △ **Protect tenants in all foreclosed rental properties.** This means not only requiring lenders to give tenants 90 days' notice or to honor existing leases, but also assisting tenants in finding other rentals and paying security deposits, utility deposits, and moving costs.

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### **Affordable Rural Housing Issues and Recommendations: DISASTER RESPONSE AND RECOVERY**

The challenges of disaster recovery – including the need for affordable housing – in urban and rural areas are now well known. The Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to:

- △ **Continue improving federal response to disasters**, including providing short-, medium-, and long-term housing for survivors, and taking rural needs into account.
- △ **Involve housing agencies**, including the U.S. Department of Housing and Urban Development and the U.S. Department of Agriculture's Rural Development arm, in pre-disaster planning efforts and in recovery efforts for the time immediately after a disaster and in the longer term.
- △ **Pre-position resources for community-based groups, including churches**, which are often the first line of relief after a disaster. Similar to FEMA's pre-positioning of food and water when a hurricane approaches, pre-positioning supplies, communications technology, and the like with community groups will help ensure that they have the capacity to meet their communities' needs during and immediately after a disaster.
- △ **Base decisions regarding provision of post-disaster housing aid on eligibility, not on residents' pre-disaster housing aid status**; all who meet eligibility criteria after a disaster should receive aid, not only those who were receiving aid before the disaster.
- △ **Conduct pre-disaster planning outreach and post-disaster recovery outreach in all languages, and with sensitivity to all cultures, represented in an area.**

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## Affordable Rural Housing Issues and Recommendations: RURAL HOMELESSNESS

Although homelessness is widely viewed as an urban problem, rural individuals and families also experience both literal homelessness and extremely precarious housing situations. Literal homelessness, the condition of living on the street or in a shelter, is often episodic and less common in rural areas than in cities due to kinship networks and the lack of service providers and resources. Homeless people in rural areas typically experience precarious housing conditions, moving from one extremely substandard, overcrowded, and/or cost-burdened housing situation to another, often doubling or tripling up with friends or relatives.

The Housing Assistance Council encourages the Obama Administration and the 111<sup>th</sup> Congress to recognize the special situations of people who are homeless in rural places and to:

- △ **Enact the rural-friendly provisions** of the Community Partnership to End Homelessness Act (S. 1518) and the Homeless Emergency Assistance and Rapid Transition to Housing Act (H.R. 7221). In rural places, small community-based and faith-based organizations are often the only entities providing services for homeless individuals and families. To improve their ability to help their clients, these bills would make the following changes.
  - **Target resources to help people who are either literally homeless or in unstable housing situations;** the latter is particularly important in rural areas, where people without homes of their own often find temporary shelter with friends or relatives rather than living on streets.
  - **Expand the definition of “chronically homeless” to include families as well as individuals;** currently, funding decisions emphasize service to chronically homeless individuals, even though families and family members may also fit the “chronic” definition (having a disabling condition with four episodes of homelessness in three years or one year of being continuously homeless).
  - **Use a simplified funding application for rural community organizations,** which do not always have staff with fundraising experience.
  - **Allow community groups to use a portion of their funding for capacity building:** staff training, equipment purchases, and the like.

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**Affordable Rural Housing Issues and Recommendations:  
WATER AND SANITATION**

In the last five decades the United States has achieved remarkable success in improving access to modern water and sanitation services for its residents. Hundreds of rural communities nationwide, however, still do not have access to clean residential drinking water and safe waste disposal systems. Most of the people affected are the poorest of the poor or the elderly, usually living in rural areas with incomes below the federal poverty level.

The per capita cost of water investments can be very high for small, sparsely populated rural communities lacking economies of scale. Once their systems are functioning, they also face higher per capita costs for operations, maintenance, and compliance. According to the Environmental Protection Agency, most violations of federal drinking water standards are made by small communities that have limited resources for compliance.

Many small communities look to the U.S. Department of Agriculture's Rural Water and Waste Disposal program as their sole source of affordable financing for drinking water, sanitary sewage, solid waste disposal, and storm drainage facilities. The program assists rural areas and cities and towns of up to 10,000 residents that are unable to finance their needs through their own resources or with credit from commercial sources. Available financing includes both direct and guaranteed loans. Communities with low median household incomes are also eligible for grants.

To meet rural water and waste disposal needs, and to assist with economic recovery in small communities, HAC recommends:

- △ **In economic recovery appropriations legislation, include \$500 million for water-sewer financing**, \$10 million of which should be used for technical assistance to local governments, tribes, and nonprofits that lack the necessary expertise.
- △ **In appropriations for fiscal year 2009, continue funding these programs at \$1 billion for loans (direct and guaranteed) and \$467.5 million for grants.**